ISLA response to ESMA Discussion Paper on Draft RTS and ITS under SFTR

Dated 11th March 2016

Background to response

We would like to thank ESMA for the opportunity to be part of this consultative process.

We at ISLA remain fully committed to the development of appropriate transparency for the securities lending markets and see this DP as an important step in the development of that reporting structure. ISLA fully supports the aims laid out in the Level 1 text and you will have seen the development of our own bi-annual Securities lending Market Report that has added greatly to immediate transparency in our markets.

In formulating our responses we have been mindful of a number of guiding principles that have defined both the scope and depth or our answers. First for reasons mainly associated with the limited time made available to review this DP we have predominantly restricted our responses to specific securities lending questions and those generic questions where there is a direct relevance or connection to our market. Consequently therefore we have not focussed on the parts of the DP relating to Trade Repositories, Repo transactions, Transparency and availability of data, the availability of data to the authorities and SFT's in respect of commodities. As this process evolves we would expect to increase our dialog with other related areas covered in this DP, particularly with the Trade Repositories as their operational model in this regard becomes clearer.

In looking at the detailed questions posed by ESMA we are encouraged by the clear acknowledgment that although under a single SFT umbrella, each of the key markets that comprise the SFT world are in fact often very different and should be dealt with differently from a reporting perspective. In practice we fully understand and would as far as possible agree with ESMA's aim to standardise reporting and to align infrastructure and reporting processes with those already developed for EMIR. On this second point we feel that whilst acknowledging the need to streamline reporting constructs and systems with those already developed for EMIR, it is important to recognise that securities lending operates around some very different fundamentals to those typically seen in the derivatives world. These differences do, we feel, create a natural tension between the development of an EMIR like reporting regime and the way in which securities lending operates in practice.

We do address a number of these apparent inconsistencies in our detailed responses, but would like to highlight the following to put proper context around our subsequent responses:

- There is considerable focus on trade date reporting in the level 1 text and this DP. There are clear parallels here with EMIR. We have stated previously that unlike derivatives markets, the exposure or risk associated with SFTs does not effectively crystallise until the transaction settles. Typically counterparties involved in securities lending measure and manage risk based on settled positions only. Therefore ESMA's desire to gather trade date information is out of step with how this market works. Further, many of the proposed reporting constructs are unduly complicated as we try and reconcile ESMA's desire to gather trade date information when the essence of SFT risk exposure is such that it can only really be reported upon settlement. We therefore strongly urge ESMA to reconsider moving to the reporting of settled transactions only. Furthermore, we feel this may be permissible within the terms of the level 1 text by re-evaluating the term 'conclusion'. Many of our members would argue very strongly that a securities lending transaction does not conclude until it has settled.

- Securities lending also sees the greatest concentration of agency business of any SFT market where lending agents, who are typically custodial banks, assets managers or specialist intermediaries lend securities on behalf of institutional investors who make their securities available for lending. Data we have seen at ISLA suggests that there could be over 20,000 funds globally engaged in securities lending. Set against this backdrop, agents typically lend securities on a bulk basis, lending the same security from multiple clients to a borrower in a single transaction using a trading protocol called Agent Lender Disclosure. (ALD). Then upon settlement the lending agent will confirm the exact details of the underlying principals to allow the borrower to complete credit line checks and allocate risk capital as appropriate. The key point here is that it is the lending agent who provides the detail of the underlying clients to the borrower and although we acknowledge ESMA's desire for dual sided reporting the borrower can only ever report what the lending agent has told him. We have therefore suggested some alternative constructs that may effectively negate the need for the borrower to re report what the lender has told him.
- A similar framework exists around non-cash collateral which today dominates in Europe. Here collateral posted by a borrower does not arrive in the account of the lender until settlement date and it is therefore highly problematic to report any details of collateral until it has settled. Furthermore once received by the lending agent they will have to allocate the collateral securities down to the LEI level of the lending principal. It is at this point the true position of settled loans and collateral may be reported. From the DP it is clear that ESMA appreciates how collateral moves around in the system but we feel that a move to settlement based reporting would create a much clearer and easily reconcilable data set.

As we consider wider transparency for SFT's in Europe, we are also mindful of the need to ensure global standards are used for the reporting of SFTs as other regions and jurisdictions implement the FSB's recommendations. We would therefore ask ESMA, as much as is practicably possible, to work with other key regulators globally to ease the reporting burden for our members as similar reporting regimes are implemented elsewhere.

Finally and whilst we are confident that we have been able to address all of the key questions raised in this DP, due to the relatively short time given to us to compile our responses, we would stress that some of our responses may only be regarded as preliminary and we would want to work further with our members, other industry bodies and ESMA over the coming months to refine our views on certain issues.

Reporting

Q11: Do you agree with the proposed technical format, ISO 20022, as the format for reporting? If not, what other reporting format you would propose and what would be the benefits of the alternative approach? [para 71-90]

We would generally support any efforts to standardise both reporting formats and communication protocols. We note from the adoption of reporting within EMIR the failure of Trade Repositories (TR) to adopt common standards has led to incremental work by market participants.

Q12. How would the proposed format comply with the governance requirements in paragraph 75? Please elaborate. [para 75]

Q13: Do you foresee any difficulties related to reporting using an ISO 20022 technical format that uses XML? If yes, please elaborate. [para 91-92]

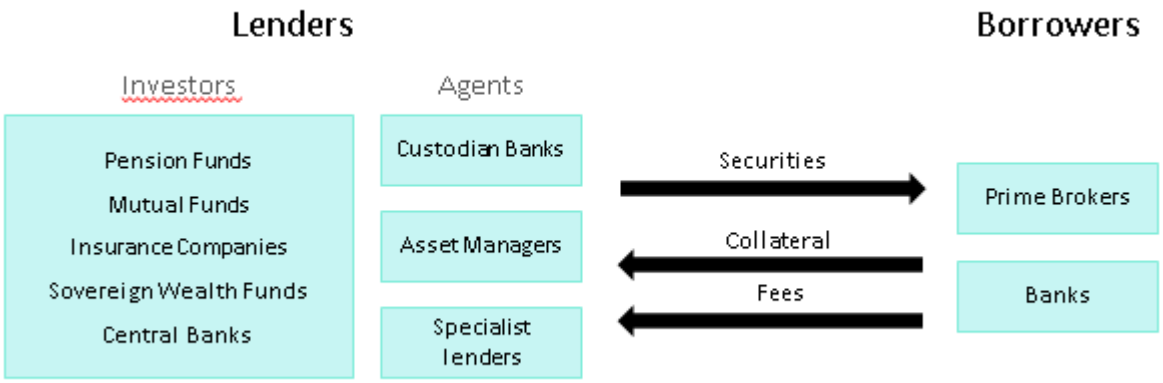
Whilst we recognise the importance of creating a standardised framework, we also are aware that ISO 20022 is not yet widely adopted and as such we are mindful of the costs associated with the adoption of ISO 20022, particularly for smaller organisation. These costs may lead to smaller market participants and service providers withdrawing from this market with potential negative impacts on market liquidity and overall market efficiency. To address this and whilst we would stress the importance of TRs reporting to regulators within the ISO 20022 framework, we would ask ESMA to consider allowing TRs the flexibility to receive data in both ISO 20022 format, as a base required standard for all TRs, and potentially in other more flexible formats, as they see fit.

Q14. Do you foresee issues in identifying the counterparties of an SFT trade following the above-mentioned definitions? [para 93-101]

Whilst the general definitions look reasonable and they do identify the main actors in a securities lending transaction there are some subtle differences with other SFT markets, particularly repo, that need to be reflected in identification of the roles of the various actors in the securities lending markets. Para 97 suggests that 'a party to an SFT that acts as an intermediary and on behalf of a customer shall be defined as a broker'. This, in our view, is not strictly true as those institutional investors who chose to lend their securities normally do so by using the services of an agent. In the context of agency securities lending the lending agent acts in a full agency capacity on behalf of its clients and lends securities against a given mandate. This is not a brokerage function where an interdealer broker simply matches supply and demand in a given market taking out some form of brokerage or commission. Further it should be noted that lending agents, who are typically custodial banks or other specialist providers, also provide some form of indemnification to their lending clients which makes it inappropriate to describe agency securities lending as brokerage.

Notwithstanding the above, it should be noted that where principal lenders or banks use securities lending transactions between each other, there may be some limited interaction with broker firms who can match supply and demand in these markets. However it should be noted that in our last ISLA Securities Lending Market Report [1]we estimate that this element of the market represents less than 15% of flows in the securities lending markets.

The following diagram highlights the key actors in a typical agent lending construct:



[1] http://www.isla.co.uk/wp-content/uploads/2016/03/ISLA-SL-Market-Report-Dec-2015c.pdf

Q15. Are there cases for which these definitions leave room for interpretation? Please elaborate. [para 93-101]

Please refer to our response to Q14.

2. SFT perspective: transaction-only vs transaction and position level (for CCP-cleared SFTs)

Q16. Is it possible to report comprehensive information at transaction level for all types of SFTs and irrespective of whether they are cleared or not? [para 103-108]

In our previous discussions with both ESMA and the Financial Stability Board (FSB) we have stressed the importance of trying to balance the desire for the collection of granular trade level information with the requirements of policy makers and regulators to discharge their mandate in the context of financial stability and making markets safer and more robust. We continue to maintain the view that certain elements of detailed trade level information are not necessary in the context of managing financial stability and will in fact create additional noise within the data that will make proper analysis and interpretation harder.

In the context of securities lending, comprehensive transactional loan information can be collected but we would caution ESMA regarding the volume of data that will be reported, which together with life cycle event information could lead to many millions of data points being reported on a daily basis. Collateral, particularly non-cash collateral is held and managed at a counterparty exposure level or across several collateral pools based on aggregated baskets of LEI activity, at the counterparty level. Collateral is typically received and held primarily as a risk mitigant against the failure of the borrower to return the equivalent loan securities at the end of the loan. Consequently any loan exposure is assessed at the principal to principal level with collateral being delivered by the borrower against a pre-agreed collateral schedule.

Our view continues to be that it is these principal to principal exposures, as opposed to trade level information, that will be manifest through the full adoption of Legal Entity Identifiers (LEI) that will provide regulators and policy makers with the most robust, consistent and clear picture of the securities lending markets.

Q17. Is there any need to establish complementary position-level reporting for SFTs? If yes, should we consider it for particular types of SFTs, such as repo, or for all types? [para 103-108]

Please refer to our response to Q16. Although we believe that position level reporting is preferable, we feel that the provision of transactional level data should allow regulators to develop these metrics without the need for the development of an additional reporting burden on the industry.

Q18. Is there any need to differentiate between transaction-level data and position-level data on loans from financial stability perspective? Please elaborate. [para 103-108]

Please refer to our responses to Q 16 & 17.

Q19. Would the data elements included in section 6.1 be sufficient to support reporting of transactions and positions? [Annex I]

In principal it would be possible to derive position level reporting from the data elements describes in 6.1.

Q20. Would the data elements differ between position-level data and transaction-level data? If so, which ones? [Annex I]

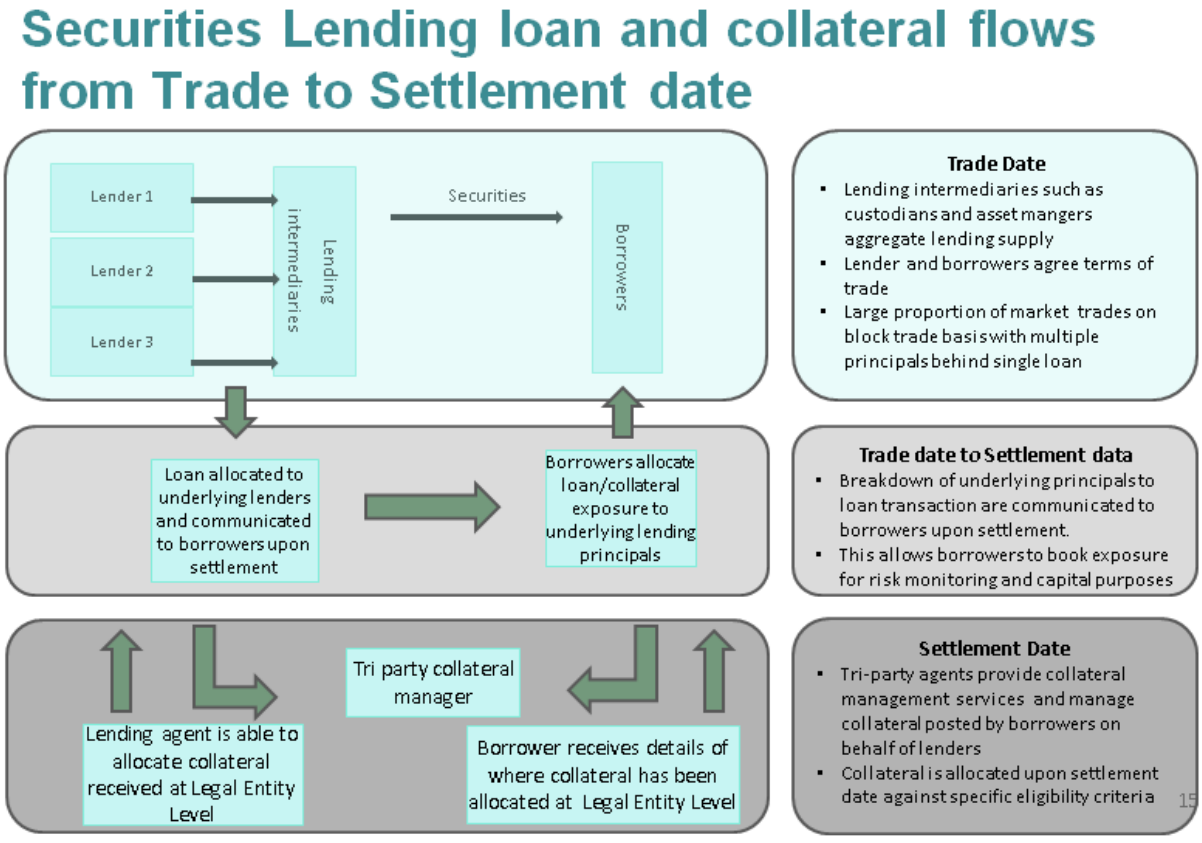
In principal ‘no’.

Q21. Would the proposed approach for collateral reporting in section 4.3.5 be sufficient to accurately report collateral data of SFT positions? Please elaborate.

For the purposes of this response we have confined our comments to those examples and scenarios that relate to securities lending only.

First, we note the comments made by ESMA in para 218 regarding the reporting of collateral at a position rather than at transactional level. We welcome this acknowledgement of the way in which the securities lending market operates today and how collateral is typically managed at a portfolio or exposure level. However we do feel that further clarification is needed regarding how securities lending non-cash collateral moves around the system and how it is allocated and managed.

Secondly, we would highlight that para 219 refers to Article 4 (1) SFTR and the requirement to report details of SFT's no later than the working day following the conclusion, modification or termination of the SFT. We note that 'conclusion' is not defined within the Level One text but understand that this is likely to mean trade date. Whilst we do not necessarily want to dwell too much on definitions, the practical implications for securities lending and our ability to report the necessary information, as contemplated within the Level One text, could be compromised due to the timing of the availability of the necessary data within the trading cycle. The following diagram highlights these flows:



From the above and it should be noted that collateral is typically only moved from the borrower to the lender upon settlement date with the lending agents then performing some form of collateral allocation to the underling lending principals by S+1. As the market continues to evolve we now see that the majority of lending activity is now collateralised on settlement date before the loans are released to the market.

The above scenario appears to be broadly consistent with the 5th example on Table 6 pages 65 to 67, but we would stress that any details of collateral can only be reported after settlement and any reporting prior to that point could only cover basic elements such as cash or non-cash collateral.

Q22. From reporting perspective, do you foresee any significant benefits or drawbacks in keeping consistency with EMIR, i.e. applying Approach A? What are the expected costs and benefits from adopting a different approach on reporting of lifecycle events under SFTR with respect to EMIR? Please provide a justification in terms of cost, implementation effort and operational efficiency. Please provide concrete examples. [para 112-117]

We believe that it would be much better to retain consistency with EMIR and use Approach A, as this would enable market participants to re-use their existing EMIR reporting solutions to report SFTs under SFTR. However, new securities lending, repo and margin lending transactions should each have their own reporting template and data validation rules for a new trade, as appears to be envisaged by Approach B, since the data elements to be provided for each transaction type differ very significantly.

It would be very difficult and expensive for ISLA members to develop entirely separate messages and templates for reporting lifecycle events as envisaged under Approach B, as this would not enable existing EMIR reporting solutions to be re-used for SFTR reporting.

When using approach A, we expect that many market participants will prefer to report lifecycle events that modify existing transactions by using the "Modify" action type only. Nevertheless, it would also be useful as an alternative to be able to process modifications to the current / latest loan value, market value, quantity / nominal, collateral amount, fee/rebate rates and agency lending loan assignments for securities lending transactions using Action Types that are specific to the associated securities lending lifecycle events. However, when reporting such lifecycle event modifications to the trade, we would not expect market participants to have to re-report the full history of the values for each data element during the life of the trade, only the latest / currently applicable values.

We recommend that there should be separately named Action Types for each SFT template / lifecycle event, as this ensures that each Action Type can be named in accordance with the conventions for that type of SFT / lifecycle event and would only require the applicable data fields and validation rules for that lifecycle event / SFT type to be reported.

Even with separate Action Types for individual lifecycle events, we believe ESMA should NOT specifically mandate their use to report those lifecycle events. For simplicity of implementation, many market participants may prefer to report such modifications by simply re-reporting the full trade with its latest / current loan values, market values, fee / rebate rates, collateral etc. using the 'Modify' Action Type alone, in much the same way that they can do with EMIR reporting.

We note that securities lending market participants may find it difficult and costly to report cancellations and terminations, as this requires market participants to generate such reports from "closed" (i.e. inactive) transactions. All other regulatory reporting that market participants already do (e.g. money market statistical reporting) is sourced solely from open transactions.

As a simpler and more cost effective alternative to both Approach A and Approach B, we would much prefer consistency to be maintained with existing SFT reporting regimes by requiring the reporting of the complete portfolio of all open securities lending transactions and active collateral pools with their latest market values, loan values, fee / rebate rates, collateral values and loan assignments etc. every day.

By reporting all open transactions on a daily basis, the absence of a trade from the daily report would signify that it had been either terminated normally (if closed after settlement date) or cancelled (if closed prior to settlement date). We note that almost all open securities lending transactions are expected to be reported every day anyway, as a result of the obligation to update the market values of both the loans and collateral and the mark to market of loan values.

Q23. Do you agree with the proposed list of "Action Types"? If not, which action types should be included or excluded from the above list to better describe the SFT? Please elaborate. [Table 1, p.35]

We have not had sufficient time during this consultation exercise to agree a full and exhaustive list of all of the Action Types that would be applicable to securities lending transactions. However, our initial view is that there should be the following action types for reporting under Approach A:

Action Type	**Purpose**
New	Report a new borrowing / lending transaction.
Modify	Modify the terms of the original borrowing / lending transaction. Note: Reporting parties should be permitted to report all trade modifications (including any changes made to current values and rates on the trade as a result of lifecycle events) by re-reporting the full trade in the same format as it was originally reported in using the 'New' action type, as this is much simpler to implement technically. If a modification is wrongly reported, a further "Modify" event is reported to correct the error.
Correction	Technically, this would be processed by the trade repository in the same way as a "Modify", but it would only be used to correct data supplied on previously reported "New" or "Modify" actions as a result of technical reporting errors rather than real changes to the underlying transaction data. It would NOT be used to correct mistakes in reporting lifecycle events – see each lifecycle event for how these should be corrected.
Cancel	Cancel a borrowing or lending transaction that has either been agreed to be cancelled in conjunction with the counterparty (e.g. following a failure to settle) or else has been mistakenly booked / reported. Note: Transactions may be cancelled and re-booked using a new reference where underlying systems do not permit the original transaction to be modified instead. Note: Stock lending transaction processing systems cannot distinguish between transactions which are bilaterally agreed for cancellation and those which were booked in error. Existing systems do not capture a reason why the transaction was cancelled and it would be incredibly onerous to modify them to do so. Where an Error is incorrectly reported, the underlying transaction would have to be re-reported using a "New" with a new UTI.
Terminate	This action type would indicate that the borrowing and lending transaction was closed on the applicable reporting date. This indicates all the securities / commodities on loan have either been fully returned back to the lender or else this borrow / loan has been consolidated onto another borrowing and lending transaction. NB: This would be reported on S+1 (the day after the settled quantity on loan goes to zero). Note: Loan consolidation is where the borrower and lender agree to consolidate multiple existing open lending transactions with identical economic terms onto a single open loan with the same economic terms.

Action Type	Purpose
Qty Change	Modification Life cycle event: This would be a simplified alternative to the "Modify" action type to report that the quantity of securities / commodities on loan (by ISIN / quantity or nominal) was either increased (loan top-up) or decreased (partial return) with effect from the applicable reporting date. This event may be reported either because of a change in the actual quantity on loan or else as the result of the consolidation of a number of other open loans onto this one. NB: This would be reported on S+1 (the day after the settled quantity change occurred). Where an incorrect "Qty Change" event was reported, a further "Qty Change" event would be reported for the same reporting date to correct the mistake.
Mark	Modification Life cycle event: This would be a simplified alternative to the "Modify" action type to report a new loan value with effect from the applicable reporting date. Most lending transactions against pooled collateral (i.e. loans with a fee rate) will be marked-to-market on EVERY business day, as the lending fee is usually calculated on the latest market value. For securities lending transactions against cash collateral (i.e. stock loans with a rebate rate), the change in loan value also reflects the value of cash collateral provided by the borrower to the lender. If a 'Mark' action was incorrectly reported for a specified reporting date, a subsequent 'Mark' action should supply the correct loan value to apply from the specified reporting date.
Rate Change	Modification Life cycle event: This would be a simplified alternative to the "Modify" action type to report a change in the fee rate or rebate rate that applies to the trade from the applicable reporting date. If a 'Rate Change' report was provided in error, a new one with the correct rate and the same reporting date should be reported to correct the data. Note: The rebate rate on a cash collateralised lending transaction should have the possibility to be reported either as a fixed rebate rate OR as a spread to a market reference rate (e.g. EONIA). Where a market reference rate / Spread has been reported, market participants should NOT be required to update the rate on a daily basis, solely as a result of changes in the market reference rate.
Assign	Modification Life cycle event: This would be a simplified alternative to the "Modify" action type to report the assignment of the lending trade to a specified set of beneficiaries (by ISIN / quantity or nominal) with effect from the applicable reporting date. It would be reported by an agent lender ONLY to legally assign the benefits and obligations of their side of the transaction and would NOT be reported by the borrower. This is because the assignment is determined by the Agent Lender alone. Note: The assignment of a single agency lending trade may be between multiple underlying beneficial owners. The total quantity assigned for the applicable value date (by ISIN / quantity or nominal) should match the quantity remaining open for that reporting date. Where an assignment is in effect, a new 'Assign' report should always be provided after a 'Qty Change' report has been processed, so that the new quantity on loan matches the assigned quantity. See answer to Q40 for further information.

Action Type	Purpose
Collateral Pool Update	This action type would be used on a daily basis to provide a complete snapshot of the details of the ISINs, quantities / nominals and market values of each ISIN or else the cash pool amounts held within a specified collateral pool on a specified reporting date. We recommend that all collateral pools in active use on any particular reporting date should be included in that day's reports to the trade repository and should include the full contents of the collateral pool (i.e. all ISINs / quantities in the pool), not just the changes from the previous reporting date. If no report is provided for a collateral pool on any particular reporting date but the collateral pool had been reported on a prior reporting day, the trade repository should treat such collateral pools as being empty on that reporting date. If a mistaken collateral pool update message is sent, a replacement message for the same reporting date should be supplied with the correct data. When considering the design of the Collateral Pool Update reporting message, ESMA should be aware that the size of some collateral pools for securities lending transactions can be very large, potentially involving hundreds of separate ISINs and tens of underlying beneficial owners. We therefore recommend that the allocation of the contents of the collateral pool to the underlying beneficial owners / beneficiaries should be reported by using an allocated collateral market value per LEI, not by pro-rating each ISIN in the collateral pool to each beneficiary. We recommend that the reporting of the contents of the collateral pool (i.e. ISINs, quantities / nominals and market values) should be reported by both the collateral giver and the collateral receiver (i.e. Both parties should know and report what is in the collateral pool). In an Agency Lending relationship, where there are often multiple underlying beneficiaries for a single collateral pool, we recommend that the allocation of the pool to the underlying beneficiaries should be reported on a one-sided basis only, by the Agent Lender. This is because the Agent Lender has sole responsibility for allocating the assets in the Collateral Pool to the underlying beneficial owners. By way of example on how large collateral pools can be, one ISLA member has reported to us that they have some individual collateral pools that are worth almost 1 billion EUR containing as many as 275 separate ISINs held for the benefit of 65 different beneficial owners. Using this example, we would expect this market participant to report the 275 different ISINs and their associated market values together with an apportioned total market value of the whole pool for each of the 65 different beneficial owner LEIs on a daily basis. We would NOT expect this market participant to report the allocation of each of the 275 ISINs to the 65 different market participants separately, as this would result in a very large number of separate collateral positions to report (275 x 65 = 17,875 individual allocations of ISINs to beneficial owners in just one collateral pool, using this example). It would also mean that the reporting of fractional shares within collateral pool allocations would be avoided.

Q24. Do you foresee any benefits or drawbacks of implementing the proposed reporting logic of event types and technical actions (Approach B)? Please elaborate. [para 118-121]

The key drawback of Approach B is that it requires a much more complex and onerous implementation than approach A, as separate messages have to be developed, implemented and tested for each lifecycle event. It would also be more complex and difficult to reconcile the reported data by both parties, as different values could apply for each reporting date and these may match on some days but not on others. Approach B is not compatible with existing EMIR reporting and therefore very substantially increases the cost of implementation, as existing reporting solutions could not be re-used.

Either approach A or approach B would enable regulators to have the same view of currently open trades on any particular reporting date. We believe it would be much better to adopt approach A, as this simplifies the reporting of the trades by market participants.

Q25. Do you agree with the proposed list of event types and technical actions? If not, which ones should be included or excluded? [Table 2, p.36] [Event types: para 122-126, lifecycle events: para 127-133]

We agree that under Approach B, separate templates and event types for creating Repo trades, Borrowing and Lending trades and Margin Lending trades should be used. As discussed in the answer to question 24, separate lifecycle events should also be provided for each type of SFT. For securities lending transactions, the borrowing and lending lifecycle events would essentially be the same as those proposed in the answer to Q23 – See answers to that question for more details. In summary, the suggested lifecycle events for borrowing and lending transactions are:

- Qty Change (Increase or decrease quantity on loan – Loan top-ups and partial returns)
- Terminate (Loan closure)
- Mark (Amend loan value or Cash collateral value)
- Rate Change (Amend fee or rebate rate)
- Assign (Assign beneficial owners - Agent Lenders only – See Q40)

Note: New loans, quantity changes (increases or decreases) and terminations are most commonly booked to reflect physical securities movements and returns via a CSD, new loans, loan quantity changes and terminations are also adjusted where no physical movement has taken place as a result of both loan consolidation activity and corporate action processing.

The “Technical Actions” that we would suggest for lifecycle events under Approach B are:

Technical Action	Meaning
Apply	Apply the lifecycle event to the specified UTI from the applicable value date. Where a subsequent report is made for the same life cycle event / UTI / value date, the later report should replace the earlier report.
Correct	This is processed by the trade repository in the same way as an “Apply” technical action but it would only be used to correct errors in the technical processing / reporting of lifecycle events, rather than representing actual changes to the terms of the trade.
Cancel	This technical action would be used to remove the lifecycle event from the trade repository that had been erroneously reported previously.

Q26. Do you foresee any need to introduce a unique reference identifier for the lifecycle events or for technical actions? Please elaborate. [para 136]

No, a unique reference identifier for lifecycle events is not required. As per paragraph 136 in the DP, it should be sufficient to reference any lifecycle event by its UTI, lifecycle event type and value date. Where multiple reports are made against the same UTI, lifecycle event type and value date, only the latest report should be applicable to the trade. For example, if a loan's value was marked to market twice in one day, the latest applicable value should be the one that is recorded as applying on the value date in question.

Q27. From reporting perspective, do you foresee any drawbacks in keeping consistency with EMIR? If so, please indicate which ones? [para 137-139]

Q28: Are the proposed rules for determination of buyer and seller sufficient? If not, in which scenarios it might not be clear what is the direction of the trade? Which rules can be proposed to accommodate for such scenarios? [para 140]

Q29: Are the proposed rules consistent with the existing market conventions for determination of buyer and seller? If not, please provide alternative proposals. [para 140]

In the securities lending market, no-one refers to the securities lender as a "buyer" as proposed in paragraph 140 of the DP. We believe very significant confusion and erroneous transaction reporting will be caused by attempting to use the terms "Buyer" and "Seller" for SFT reporting, as borrowing and lending transactions are neither buys nor sells.

SFTs, by their very nature, are financing transactions involving the temporary transfer of assets / cash to another party against collateral in the form of other securities or cash, to be returned back to their original provider at some future date. The parties involved in an SFT are therefore normally described as being either the "Borrower" or the "Lender" in relation to who originally provided the asset that has been specifically borrowed or lent and the "Giver" or "Receiver" in respect of any collateral provided or received.

In paragraph 138 of the DP, it is stated that the rationale for using the terms "Buyer" and "Seller" is to facilitate the existing EMIR inter-reconciliation process. In our opinion, it would require very little technical change for existing trade repositories to also recognise the terms "Borrower" and "Lender" / "Giver" and "Receiver" and this would be much less costly than the confusion and erroneous reports that would result from attempting to use the terms "Buyer" and "Seller".

In the securities lending market, it is the lender of the securities that is considered to be the Lender whilst for the repo and margin lending markets, cash is usually considered to be the asset that is being lent and hence the cash provider should be regarded as being the "Lender". In the case of collateral pools, the parties should be identified as being either the "Giver" or the "Receiver" of the collateral depending on whether they have provided or received the collateral.

The above rules to identify the "Borrower" and "Lender" would only be ambiguous in relation to transactions that are being used as a structure to borrow and lend cash under a securities lending master agreement (which are known in the securities lending industry as "funding trades"). When reporting "Funding Trades" under securities lending agreements, we suggest that market participants should use the repo template to report cash as the asset that has been borrowed or lent and hence the provider of the cash in such funding trades would be identified as the "Lender". The securities provided in such arrangements would be collateral and hence identified using the terms "Giver" and "Receiver".

We recommend that the provider of the primary security that has been lent should be identified as the "Lender", whilst any other securities would be identified as collateral with the terms "Giver" or "Receiver" as appropriate

Securities Lending [para 156-168]

Q38. Are there any differences in the parties involved according to the different agency lending models?

For securities lending transactions, Securities Lending Scenario 1 (principal bilateral securities lending trade) is a very common market scenario where two market participants, acting on their own account, lend and borrow securities from each other.

Securities Lending Scenario 2 (agent lender to principal borrower) is also a very common scenario when a lender acting in an agency capacity agrees to lend securities belonging to one or more beneficial owners to a single borrower, acting on their own account.

In the securities lending market, brokers are not normally involved in arranging securities lending transactions between agent lenders and principal borrowers.

Securities Lending Scenario 3 is described as a securities lending trade with a principal intermediary. Therefore unlike scenario 2 where the agent bank acts in a simple agency capacity the principal intermediary model allows for the intermediary to act on its own behalf and has separate principal relationships with counterparties 1, 2 and 4. Also and unlike the simple agency model there is no implied link between the trades between 1,2 and 3 and the trades between 3 and 4. Although the principal intermediary may well be an agent lending when they act in a principal capacity we feel it is confusing to categorise them as an agent.

With reference to the centrally cleared Scenario (4) we would once again emphasise that where an agent is lending securities on behalf of underlying clients, brokers are seldom used. Also Scenario 4 contemplates the use of a clearing member within the CCP settlement structure. The most developed centrally cleared model for our market in Europe today does not use the clearing member structure for agency securities lending business.

Q39. When would the both counterparties know the other's identity in an undisclosed lending agreement?

In an undisclosed lending arrangement, the agent lender is required to initially allocate a new loan to underlying beneficial owners prior to settlement date. However, the actual allocation of open loans to beneficial owners also changes frequently throughout the life of the loan, as agent lenders use a fair allocation algorithm to allocate their open loans to all the beneficial owners in the lending pool that they have sourced the securities from. The pool of securities that the loan has been made from changes from day to day, depending on whether the underlying beneficial owners have either bought or sold the on-loan security in the pool.

The allocation / reallocation process of loans and collateral to the underlying beneficial owners is usually performed by the agent lender using an overnight batch process AFTER close of business on any particular business day. The resulting loan and collateral allocation data is communicated overnight to the borrowers using the Agent Lender Disclosure (ALD) process. Many lending agents use global systems which treat close of business as being as at the end of the trading day in North America, so overnight batch processing to allocate beneficial owners to loans may not even commence until early on the next day in Europe.

As a result of the operation of the ALD process, where a loan is settled and becomes outstanding on settlement date (S), the borrower is not advised of who the beneficial owners were for that loan until S+1. Furthermore, subsequent re-assignment of the loan throughout its life means that the borrower never knows for sure who their underlying beneficial owner counterparties are for any agency lending loans open on any particular business date until the day after.

We note that the final bullet point under para 159 contemplates that if the agent fails to disclose the actual counterparty by the reporting deadline or value date then the lending agent should be considered as the counterparty to the SFT. We would stress that in the normal course of business all underlying principals will have been fully disclosed upon settlement date. If this fails to happen we would see this as a temporary feature only that should be rectified quickly as the borrower would not be permitted to assume principal risk with the lending agent and vice versa. Therefore any such assumption of principal risk by the agent would be for reporting purposes only.

Q40. What other solution would you foresee for the reporting of trades involving the agent lender? Please elaborate.

As we have already described, the role of an agent in the context of agency securities lending is to execute and manage trades upon behalf of its clients. These loans will be executed against a series of pre agreed guidelines including counterparty selection, collateral requirements and the proportion of any total position that may be lent at any one time. As part of the process the agents will typically, but not exclusively, bulk loan positions together to deliver a single consolidated loan position to a borrower. Upon settlement, the lending agent will disclose the details of the underlying to the loan to the borrower to allow them to perform credit line checks and allocate appropriate risk capital against the counterparty exposure. The agent is therefore the primary source of the details of the lending principals who are party to any given loan transaction.

As we think about this operational construct in the context of the reporting requirements outlined in the SFTR and the Discussion Paper (DP) of the 11th March, we are mindful of a number of key issues:

First there is an implied assumption that agents will undertake SFTR reporting under a delegated reporting mandate from their clients. Whilst this may look like a logical outcome, we would stress that any formal delegated reporting regime whereby agents undertake this reporting for their clients will need to be carefully assessed with the various rights and obligations of the respective parties clearly defined and understood. At this point in time, our members have only just begun this process so we would highlight the 'work in progress' status of this particular framework.

The second point to highlight, notwithstanding the previous comments relating to the legal construct of a delegated reporting regime, is that the agent has the definitive source or record of the underlying principals to a bulk loan transaction and anything thing that a borrower reports in this regard will simply be resubmitting the information that they received from the lending agent.

Consequently, we feel that it may be easier, much simpler and a more accurate reflection of reality for agency lending trades to be reported on a two sided basis as they are TRADED and managed throughout their life. In practice, this means that the Borrower would report their trade with the LEI of the Agent Lender as their counterparty and the Agent Lender would report their trade with the LEI of the Borrower as their counterparty.

The Agent Lender only (i.e. on a ONE SIDED REPORTING basis) would also report the legal assignment of their trades to their underlying beneficial owner LEIs using lifecycle events. The loan assignment lifecycle events may change every day that each trade continues to be open. Loan assignment lifecycle events should always include the FULL set of beneficial owners that are to be allocated to a trade with effect from the specified value date for the assignment.

Consider the following example: On day 1, the Agent Lender lends 1,000 shares to the Borrower and this trade is assigned UTI1. The 1,000 shares are initially allocated by the Agent Lender as follows: 500 shares to Beneficial Owner One, 250 shares to Beneficial Owner Two and 250 shares to Beneficial Owner Three.

On day 2, Beneficial Owner One has sold its shares, so the Agent Lender re-allocates the loan as follows: 500 shares to Beneficial Owner Two and 500 shares to Beneficial Owner Three.

On day 3, Beneficial Owner 4 has bought the same shares that are on loan. The Agent Lender re-allocates the loan again, this time with 200 shares to Beneficial Owner Two, 200 shares to Beneficial Owner Three and 600 shares to Beneficial Owner Four.

On day 4, the loan remains open and there are no changes to the beneficial owners for the loan.

On day 5, the Borrower returns the 1000 securities to the Agent Lender and the loan closes.

The reporting for this example would be as follows:

Day	Agent Lender Reporting	Borrower Reporting
1	1. New Securities Lending Trade: 1,000 shares lent by Agent Lender to Borrower with UTI1 2. New "Loan Assignment" lifecycle event against UTI1 for value date day 1: 500 shares to Beneficial Owner One, 250 shares to Beneficial Owner Two, 250 shares to Beneficial Owner Three	1. New Securities Lending Trade: 1,000 shares lent by Agent Lender to Borrower with UTI1
2	3. New "Loan Assignment" lifecycle event against UTI1 for value date day 2: 500 shares to Beneficial Owner Two, 500 shares to Beneficial Owner Three	No further report
3	4. New "Loan Assignment" lifecycle event against UTI1 for value date day 3: 200 shares to Beneficial Owner Two, 200 shares to Beneficial Owner Three, 600 shares to Beneficial Owner Four	No further report
4	No further report	No further report
5	5. New "Loan Termination" lifecycle event against UTI1 for value date day 5.	2. New "Loan Termination" lifecycle event against UTI1 for value date day 5.

Q44. In the case of securities lending transactions are there any other actors missing, considering that tri-party agents will be covered in section 4.2.5?

Apart from our previous comments regarding the definition of the role of broker in the securities lending markets which is different from that seen in other SFT markets the list of actor's looks comprehensive. As we will elaborate in subsequent sections the tri party agent is not a principal actor in this market and is simply a service provider from which certain key data elements with regard to the reporting of SFT's will be collected from.

Q45. What potential issues do reporting counterparties face regarding the reporting of the market value of the securities on loan or borrowed?

The key issue that market participants will face in updating the market value for regulatory reporting is the timing of the market data to be used (current day closing vs. previous day closing prices), exactly which market prices / FX rates to use for reporting (bid vs offer vs mid-price and also

clean vs. dirty prices for fixed income securities) and the currency that the market value will be reported in.

Exposure monitoring and mark-to-market processes in the securities lending markets in Europe usually use the previous day's closing market prices for securities quoted on European and US markets, whilst using today's closing market prices for securities quoted on Asian markets. As not all market participants are able to use same day closing market prices for all Asian markets, some market participants may use the previous day's closing market prices for some Asian markets whilst others may use today's closing market prices.

With regard to fixed income securities, market convention for exposure calculations is to use dirty prices (i.e. including any accrued interest payments).

For consistency of timing, we recommend that market participants should report the market value of their open SFTs as at close of business on any particular business day. To make the reporting simpler for market participants, we recommend that market participants should be permitted to report the market value of their SFTs using the market prices and FX rates that those market participants had been using during the course of that business day for exposure management purposes. For securities lending transactions, this would generally mean that market values reported as at close of business today would be valued using the closing prices of the securities as of the previous business day.

By basing regulatory reporting of market values using the market prices that had already been used for exposure management purposes during the business day, this would enable market participants 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 fed to a trade repository. This is likely to result in higher quality market value data in the trade repository than would be the case if same day closing prices were to be mandated to be used instead.

For consistency across all reporting participants, we would further recommend that all market values are standardised to be reported in the currency that the instrument is denominated in. This would require an additional reporting field of 'currency' to be added to the reporting template.

Q46. Do such securities lending transactions exist in practice?

Uncollateralised loans of securities are not a common feature of the securities lending markets in Europe.

Q47. Do you agree with the proposal to explicitly identify non-collateralised securities or commodities lending transactions in the reporting fields? Please elaborate.

If a loan is made on an uncollateralised basis then the current reporting framework would simply pick up the loan exposure but it would fail to see related or connected collateral in the system highlighting its uncollateralised nature. Where uncollateralised loans are reported it may be relevant to develop additional metrics relating for the reason the uncollateralised nature of the loan. This may include collateral reporting delayed due to settlement failures or where a collateral report has been omitted in error.

Q48. Would it be possible that an initially unsecured securities or commodities lending or borrowing transaction becomes collateralised at a later stage? Please provide concrete examples.

Securities lending markets in Europe do not routinely consider or undertake these types of transactions.

Commodity SFTs [para 169-176]

Q49. Which of the scenarios described for securities lending (Section 4.2.4.2), repo and buy-sell back (Section 4.2.4.1) are currently applicable to commodities financing transactions? Please provide a short description of the commodity financing transactions that occur under each scenario and the involved actors.

Although SFT's relating to commodities are not normally the remit of ISLA, we would highlight the need to treat certain commodity linked Exchange Traded Funds (ETF) that may be borrowed and lent in a similar way to other securities that may be lent and borrowed. Consequently and where appropriate our comments under 4.2.4.2 should also be applied to this and questions 50 - 63.

Q72. Do you foresee any issues with reporting information on SFT involving tri-party by the T+1 reporting deadline? If so, which ones – availability of collateral data, timeliness of the information, etc.? Please elaborate. [para 183-185]

Para 183 describes the tri-party agent 'selecting the necessary collateral from the account of the lender and delivering it to the borrower'. This in fact round the wrong way with the tri-party agent selecting and delivering collateral from the account of the borrower to the lender on settlement of the securities loan.

As already described, collateral is not moved from the borrowers account to that of the lender (agent) until settlement date. Consequently there is a dependency on the availability of this information to allow lending agents to allocate this information down to underlying clients in a timely fashion.

Also, depending on the collateral service provider and the operational model used, instructions may not be actually delivered to the relevant CSD as movement between borrower and lender will be simple book entries in the books of the tri-party agent.

Q73. Would you agree with the proposed split between the counterparty and transaction data? [para 187]

We believe that the split between counterparty and transaction data is broadly OK, with the exception of field 11 (Triparty Agent), which should be part of identifying a collateral pool and reported the same by both parties. Whilst we have not had sufficient time during this consultation for a full analysis, our initial view is that there are far too many data fields that are incidental to the transaction that are proposed to be reported as "transaction data" which implies these data points are expected to be matched exactly by both parties. If this were to be implemented as proposed, we believe that virtually no securities lending transactions would be seen as being fully matched in the trade repositories.

Experience from ISLA's members who operate contract compare systems (which compare securities lending transactions between borrowers and lenders) very strongly suggests that matching data fields should be restricted to those that represent the key economic details of the securities lending transactions only – i.e. what has been borrowed or lent, on what terms and to / from whom. The transaction data fields that we would therefore recommend are included as matching "transaction data" fields are:

- Unique Transaction Identifier (UTI)
- Reporting Counterparty / Other Counterparty (part of counterparty data, but matching)
- Maturity Date (End Date) – Empty for open term trades

- Type of Asset (Security / Commodity)
- Security or Commodity Identifier (ISIN)
- Base Product / Sub Product / Further Sub Product (Commodities only)
- Quantity or Nominal Amount
- Security or Commodity Price / Price currency / Loan value (only with tolerance matching)
- Rebate Rate
- Lending Fee

In securities lending transactions, the "Net Dividend Rate" is normally seen as a key economic field, but we note that this has not been included in the proposed securities lending template.

For collateral data, the key economic data fields that we would recommend as matching data fields are:

- Type of Collateral Component (Securities / Commodities / Cash)
- Cash Collateral Amount
- Cash Collateral Currency
- Collateral Component (ISIN)
- Base Product / Sub Product / Further Sub Product (Commodities only)
- Collateral Quantity or Nominal Amount
- Collateral Pool Identifier

Please see the appendix for our comments on each specific proposed data field.

Q74. Is the reporting of the country code sufficient to identify branches? If no, what additional elements would SFT reporting need to include? [para 191]

We note the comments made with para 191 regarding the work to identify branches within the global LEI framework. We advocate supporting that initiative and would want to avoid a potentially costly interim solution. The identification of branches via the appropriate country code seems sufficient from our perspective and the Table 3 on page 58 appears to be comprehensive.

Q75. Do you foresee any costs in implementing such type of identification?

As mentioned in our above response any interim solution based solely on ISO country codes would potentially be costly and use up scarce IT resources. As reporting is to be done at legal entity level, we do not see the added value in the identification of the branch, especially since it is not always clear, at the trading level, whether the counterparty we face will book the trade on the local book of the branch or on the global book.

Q76. Would it be possible to establish a more granular identification of the branches? If yes, what additional elements would SFT reporting need to include and what would be the associated costs?

We are not convinced that a more granular would be of any material benefit and not add significantly to the understanding of the data from a financial stability perspective.

Q77. What are the potential benefits of more granular identification of branches? Please elaborate.

Please see our response to Q76

Q78. Are there any situations different from the described above where the actual transfers between headquarters and branches or between branches can be considered transactions and therefore be reportable under SFTR? Please provide specific examples. [para 193-196; Table 3]

It should be noted that in the case of securities lending transactions there are few, if any, significant loans between branches.

Q79. Are there any other cases which are not identified above, where the beneficiaries and the counterparties will be different? Please elaborate. [para 197-200]

Although within securities lending we frequently see lending agents arranging and concluding loans on behalf of their clients, they are never a legal party to the transaction with all trades being concluded between the legal principals involved in the transaction. Therefore we would always expect to see the beneficiaries and counterparties to a transaction to be one and the same.

Q80. Do you agree with the proposal to link the legs of a cleared transaction by using a common identifier? [para 201-217; summary table 4, p.63]

Although we understand ESMA's objective in trying to link the different legs of a cleared SFT but from experience within the EMIR reporting regime this is a very complex technical requirements that infrastructure providers cannot currently support. Furthermore we are not convinced that the considerable infrastructure and technical investment needed to support this functionally is justified against the very limited incremental reporting benefits.

Q81. Could you suggest robust alternative ways of linking SFT reports?

Our view is that all loan and collateral reporting should be linked using the global LEI structure that will allow regulators and the other aggregators of date to effective loan and collateral exposure at a counterparty/ LEI level. This, in our, view will provide the most powerful view of the SFT markets for the purposes of managing financial stability.

Q82. Are the different cases of collateral allocation accurately described in paragraphs 221-226? If not, please indicate the relevant differences with market practices and please describe the availability of information for each and every case? [Para 221-226]

Securities lending trades are usually collateralised either individually using cash (known as "cash rebate" trades) or collectively on a pooled net exposure basis (known as "fee" trades). The pooled collateral may be in the form of bilaterally exchanged cash (known as "cash pool collateral"), bilaterally exchanged securities (known as "bilateral non-cash collateral") or else securities selected and managed by a tri-party agent (known as "tri-party non-cash collateral).

In cash rebate securities lending trades, the initial value of the cash collateral for each trade is usually agreed at the time the trade is booked. The cash value is usually not then changed (known as "marked to market") until after the trade has settled. Thereafter, the trade will be marked-to-market on a daily basis, subject to the size of the potential cash mark being larger than a pre-defined acceptable exposure limit.

In some CCP cleared securities lending transactions, the initial cash value of a cash rebate securities lending trade is not bilaterally agreed at all. Instead, an initial cash value is selected on the day of settlement by the CCP based on up-to-date market prices. In this situation, the market participants using the CCP would not know the cash collateral value until the day of settlement.

Cash rebate trades thus broadly follows the trade type "Securities lending NOT involving collateral pool or collateral basket" in Table 6 of the DP. However, it should be noted that existing market practice does not include specific securities being booked as collateral against individual securities lending trades. Where securities are used as collateral, existing market practice is for these are processed using the collateral pool structure on the basis of net exposure calculations.

For securities lending fee trades, which are collateralised on a net exposure basis, both parties monitor their net overall exposure (trades and collateral) to each other on a daily basis. Where exposure arises, the market participants will agree to make a change to the contents of specific collateral pools between the parties to eliminate the exposure. It should be noted that market participants do not record an explicit link between securities lending trades and individual collateral pools. This is because exposure is managed on an overall portfolio basis and linking would potentially require many securities lending trades to be linked to multiple separate collateral pools. This means that securities lending market participants cannot report a single collateral pool identifier against individual securities lending transactions.

We wish to draw ESMA's attention to the particular complexities of processing and reporting collateral posted for securities lending transactions agreed with agent lenders. Agent lenders may either maintain separate collateral pools for each underlying beneficial owner or else they may hold collateral on a pooled basis in a nominee account for the benefit of multiple underlying beneficial owners. In both cases, there are usually numerous separate collateral pools to be adjusted each day and it is the agent lender that determines the allocation of how much collateral should be placed in each individual collateral pool, based on the aggregate exposure generated by each underlying beneficial owner's lent securities.

Where numerous collateral pool accounts are involved in a securities lending trading relationship, borrowers will usually agree an overall level of exposure / required collateral at the aggregate trading relationship level (i.e. borrower vs. agent lender NOT borrower vs. beneficial owner) and the agent lender is then responsible for allocating the collateral to the correct underlying collateral pools for the benefit of the relevant beneficial owners.

For securities lending transactions agreed with Agent Lenders, we recommend bilateral reporting of such collateral to be made with the Agent Lender identified as the counterparty that has received the collateral, as per our answer to question 40. The Agent Lender alone, who has the responsibility for assigning the collateral to the beneficial owners, should then report on a one-sided basis (i.e. as "counterparty data") the legal assignment of the collateral to the underlying beneficial owners / beneficiaries.

Cash Collateral Element

Q83. Is the assumption correct that manly securities lending would require the reporting of cash collateral? If no, for which other types of SFTs is the cash collateral element required? Please elaborate.[Para 228-229]

Whilst cash collateral is usually used only in securities lending transactions, cash can always be used as collateral of last resort for any collateralised exposure, especially when an exposure has not been satisfied by means of non-cash securities movements prior to a market deadline for processing such movements.

We also note that in securities lending cash pools, market practice is for the cash pool rebate rate (i.e. the Reinvestment rate) to be recorded against the cash pool itself, not as an attribute of the securities lending transaction as proposed by the DP (see field 36, "Reinvestment rate" on the securities lending template in section 6.1.3.2).

Q84. Does the practice to collateralise a transaction in several amounts in different currencies exist? Please elaborate. [Para 228-229]

It is common for cash pool collateral to be held in multiple currencies. For example, securities lending trading relationships may use both Euro and US Dollar cash pools as collateral concurrently.

Securities or Commodities Collateral Elements [All]

Q85. Do you foresee any issues on reporting the specified information for individual securities or commodities provided as collateral? If yes, please elaborate. [Para 230-232 & Table 9]

Yes, there are too many data fields that are required. In our view, the collateral reporting should focus on identifying exactly what collateral has been provided and the market value attributed by each market participant to that collateral. Reference data which could be looked up using the ISIN code alone (e.g. Collateral Quality, Issuer, Jurisdiction of Issuer and Maturity Date) should not be reported by market participants, as much higher data quality will be achieved if this information is looked up centrally by the regulators in their own monitoring / reporting systems. The non-cash collateral data that we recommend should be reported is:

- ISIN
- Unit of quotation (e.g. 1 for equity shares and typically 100 for bonds / debt instruments)
- Quantity / Nominal amount
- Price Currency
- Price Per Unit
- Collateral Market Value

We recommend that Haircuts and Margins should NOT be reported as part of collateral reporting. Haircuts and Margins can be applied in securities lending in a variety of different ways and the precise methodology used may vary from lender to lender. For example, it may be expressed in the form of Margin as both an add-on to the market value of the securities that have been lent and / or as an add-on to the market value of the securities provided as collateral. It can also be expressed by discounting (i.e. applying a haircut) to the effective market value of the securities received as collateral. The net overall exposure margin between each borrower and lender is what is monitored, which is the excess market value of all the collateral when compared with the total market value of all of the securities that have been lent.

We also recommend that the “Availability of Collateral for Re-Use” data field should be a data element directly associated with the counterparty static data in respect of the Collateral Pool itself, not the individual ISINs within a collateral pool.it should be noted that any collateral re-use is a function of the collateral management agreement between the parties and not the securities themselves.

We note that many securities that are used as collateral are issued by companies without an assigned LEI code. Since the security issuer is not a party to the SFT itself, it will not be possible for reporting parties to ask the issuer to obtain and publish an LEI code.

Q86. Are there any situations in which there can be multiple haircuts (one per each collateral element) for a given SFT? Please elaborate.

Typically when an institutional clients makes their securities available for lending they will agree with their provider a number of risk and operational parameters that will form the basis of the operating framework for the lending programme. These will include a collateral schedule which will include amongst other things agree haircuts for certain collateral asset types. So for example a client may elect to receive different haircuts on different asset classes reflecting their perceived

riskiness and trading liquidity if they had to be liquidated in the event of a borrower failing to return the lent securities. Consequently and depending on the asset mix of the collateral received by the lender their collateral pool may reflect different haircut levels applicable to different asset classes. This means that it is entirely possibly that a single SFT loan exposure may be collateralised by a range of different collateral asset types with varying or different haircut levels. Reference to the collateral schedule will provide clarity regarding the different haircut levels that are applicable to the lending programme whilst a simple comparison of loan and collateral pools at LEI level will provide the current implied haircut level.

Collateral Pool Identification Element [All]

Q87. Would you agree that the reporting counterparties can provide a unique identification of the collateral pool in their initial reporting of an SFT? If no, please provide the reasons as to why this would not be the case. [Para 234-240]

As described in our answer to Q82, it is not possible for securities lending transactions to be assigned to a specific collateral pool in advance, as there are often multiple securities lending trades associated with multiple collateral pools (a many to many relationship) and exposure is measured and managed by the trading counterparties on a net overall basis.

We would also like to draw ESMA's attention to the fact that tri-party agents are used differently in the securities lending market when compared to the repo market. In securities lending, the tri-party agents only manage the collateral pool and they have no responsibility for settling and managing the portfolio of underlying securities lending trades. Instead, the two parties to the securities lending trades agree the total value of collateral required for each tri-party account and communicate this information to the tri-party agent each day. For this reason, we believe that for securities lending trades collateralised at a tri-party agent, the tri-party agent LEI should be specified as an attribute of the collateral pool itself, not the underlying securities lending trades that are being collateralised.

We anticipate that for non-cash collateral managed by tri-party agents, the unique collateral pool identifier known to both parties would be the tri-party account code where the collateral is held at the tri-party agent. For non-cash collateral managed bilaterally, there is no equivalent unique collateral pool identifier that is currently in use today. We recommend that a collateral pool identifier should be made unique only in combination with the LEI code of the collateral holder. In this regard, it would therefore be the responsibility of the collateral holder (either the tri-party agent or the agent lender) to assign a unique identifier to the collateral pool where the collateral is received / held and to communicate this information to the collateral giver.

Q88. Are there cases where a counterparties to a repo, including those executed against a collateral pool, would not be able to provide the collateral with the initial reporting of the repo trade? If yes, please explain. [Para 234-240]

Q89. Are there any issues to report the collateral allocation based on the aforementioned approach? Please elaborate. [Para 234-240]

We note ESMA's preference to use standard ISINs to uniquely identify the collateral eligibility profile of standardised collateral pools / collateral baskets. ESMA should be aware that collateral eligibility is not defined by specific security identifiers but rather it is described in ether generic security type descriptions e.g. G10 Government bonds or against other minimum criteria such as credit ratings etc. Consequently, it is impractical to report collateral eligibility in this way.

Q90. In the case of collateral pool, which of the data elements included in Table 1 [?] would be reported by the T+1 reporting deadline? Please elaborate. [Para 234-240]

In respect of a collateral pool none of the elements relating to the movement of collateral would be available until the collateral has moved from the borrowers account to the lenders account. Typically this only takes place on settlement date which would make it problematic to report any detailed data elements for a securities lending transaction on T+1

Options to report collateral

Q91. Which option for reporting of collateral would be in your opinion easier to implement, i.e. always reporting of collateral in a separate message (option 2) or reporting of collateral together with other transaction data when the collateral is known by the reporting deadline (option 1)? [Para 241-242]

Q92. What are the benefits and potential challenges related to either approach? Please elaborate. [Para 241-242]

For securities lending transactions, we recommend that cash rebate securities lending trades (where cash collateral is specifically allocated to each transaction) should have their cash collateral reported with the trade itself (option 1). However, we anticipate that all collateral pools used to collateralise fee based securities lending trades should be reported using separate messages (option 2). In the case of securities lending non-cash collateral, the actual securities transferred from the collateral giver to the collateral taker will usually not be known until settlement of the non-cash collateral has taken place.

As per our answer to Q82, it is not possible to link securities lending trades directly to individual collateral pools because it is a many to many relationship. This means that for collateral pools, we believe the only option available is for such collateral pools to be reported independently of the securities lending trades they are collateralising (option 2).

Updates to collateral information

Q93. Do you foresee any challenges with the proposed approach for reporting updates to collateral? What alternatives would you propose? Please elaborate. [Para 243]

We agree that the best way to report an update to the collateral is by reporting a full snapshot of the total amount of allocated collateral at the end of the day, as per paragraph 243 in the DP.

As per our answer to Q82, for securities lending transactions agreed with Agent Lenders, we recommend that such collateral should be bilaterally reported with the Agent Lender identified as the counterparty that has received the collateral. On a daily basis, the Agent Lender alone, who has the responsibility for assigning the collateral to the beneficial owners, should then report on a one-sided basis (i.e. as “counterparty data”) the legal assignment of the collateral to the underlying beneficial owners / beneficiaries.

Q94. Is it possible to link the reports on changes in collateral resulting from the net exposure to the original SFT transactions via a unique portfolio identifier, which could be added to the original transactions when they are reported? [Para 244-246]

By way of clarification, where collateral is held and manged by a tri-party agent the process involves the tri party agent moving eligible collateral assets on settlement date from the borrowers account to the account of the lender against specific eligibility criteria (collateral schedule).

Once received by the lender, they are then able to allocate collateral down to the underlying lending principals (LEI) involved in the transactions. Typically this may be done by individual security allocations or via a books and record process with lending clients with similar interests effectively owning a pro rata share of a collateral or omnibus account.

It would appear from the mix of ideas and proposals outlined by ESMA that market participants will be required to report the SFT on T+1 including reference to a collateral pool identifier in the first instance with actual collateral (ISIN level) information effectively being substituted upon settlement. This we feel presents certain operational challenges and does not provide any tangible benefits in terms of understanding collateral profiles and accrual trading exposure.

The idea of creating separate collateral pool identifiers seems to do no more that try and comply with the terms of the level one text rather than address the issue of reporting appropriate data in an efficient fashion. We would therefore advocate a focus on LEI exposure within the reporting regime and use this as the key identifier to link loan and collateral exposures. This approach explicitly accepts the concept that within the confines of the current industry structure collateral can only be reported once it has been moved and settled. Once settled collateral will have been allocated against specific LEI's and this, in our view, should form the foundation of reporting loan and collateral exposures.

Q95. Do you foresee any difficulties related to the linking of the collateral report to the underlying SFTs by specifying UTIs of those SFTs in the collateral report? [Para 244-246]

Please see response to Q94

Q96. Are there additional options to uniquely link a list of collateral to the exposure of several SFTs to those specified? If yes, please detail them. [Para 244-246]

By adopting the LEI driven reporting framework this would allow for multiple loan transactions and collateral pools/allocations to be effectively reported.

Q97. What would you deem to be the appropriate option to uniquely link collateral to the exposure of several SFTs? Are you using any pro-rata allocation for internal purposes? What is the current market practice for linking a set of collateralised trades with a collateral portfolio? Please elaborate. [Para 244-246]

Where lending principals have similar collateral requirements in terms of acceptability etc collateral may be held by their lending agent in an omnibus account where each of the lending principals effectively owns a pro rata share of that collateral pool based on their share of the on loan balances.

Q98. Do you foresee any issues between the logic for linking collateral data and the reporting of SFT loan data? Please elaborate. [Para 244-246]

It is important that consistent logic is applied to both loan and collateral exposes and we feel that using LEI loan and collateral exposures provides a consistent and clear reporting framework

Q113. What options exist to link collateral that is re-used to a given SFT or counterparty? Please document the potential issues. [Para 256-266]

Monitoring re-use in the context of fungible securities presents a number of very real challenges for both market participants and regulators. It has been well documented already that regulators feel that re-use and the velocity of collateral moving around the system can, in some instances, inflate systemic risk issues. Conversely it is also widely accepted that the mobilisation and efficient use of collateral is an important part of maintaining liquidity in markets and facilitating the development of a more broadly based capital market across Europe.

Due to the fungible nature of many of the collateral assets involved in securities lending transactions combined with the often highly dynamic nature of, in particular, banks' balance sheets specific metrics will be hard to establish. Rather we would support the ideas explored within Paras 261 and 264 that contemplate the development of a series of proxy metrics that would be applied to collateral and inventory positions.

In thinking about these ideas we would be happy to work with ESMA regarding the final form of these proxy metrics and subsequent calibrations of the outputs. We would also stress that any proxy metrics would potentially yield very different outputs from across our membership. Lenders who receive collateral by way of title transfer agreements have the full right of re-use but from our own investigations, very few, if any actively re –use collateral received in this way. However where a prime broker or other bank receives collateral it is very likely that these securities would be held as 'firm' inventory and consequently we would expect to see a much higher level of implied re use. However it should be noted that where a Prime Broker receives collateral via a security interest rather than by title transfer they would not consider these assets as firm inventory. Instead these are client assets held in separate client depot accounts that are segregated from proprietary assets.

Initial analysis suggest that whilst the development of such reporting and metrics is possible but only at the receiving entity/ ISIN level and not at the counterparty level. The technical and operational challenges to both gather and analysis this data will mean that any re-use reporting will be most appropriately dealt with through a series of separate reports. These could take some time to develop so we ask ESMA to consider some form of phased approach to the implementation re-use reporting.

Q114. In which cases can the re-use be defined at transaction level? [Para 256-266]

Eligibility to re-use collateral is defined by a combination of the counterparties to the transaction and the legal form of the agreement. It should be stressed that it is the characteristics of the counterparties and the nature of the SFT that define re-use.

Q115. Do you see other ways to calculate the collateral re-use for a given SFT? [Para 256-266]

Please see our response to Q113.

Q116. Are there any circumstances in which the re-use percentage applied at entity level could not be calculated for a given security (e.g. per ISIN)? [Para 261-263]

Q117. Which alternatives do you see to estimate the collateral re-use?

We feel that the ideas outlines by ESMA and to an extent echoed in the current discussion paper on this issue from the FSB outline the most viable alternatives to achieve the necessary level of transparency relating to re-use.

Q118. When the information on collateral availability for re-use becomes available? On trade date (T) or at the latest by T+1? [Para 267-268]

As we have outlined previously, re-use and the availability of collateral to be re-used is defined by the counterparties involved and in particular the nature of the legal agreement supporting the SFT. Consequently any collateral held by a counterparty that is eligible for re-use for existing or open transactions is available on an ongoing basis. For new transactions although the legal form of being able to re-use collateral does not change, it is only when the collateral moves or settles (i.e. on settlement date) that the full details of those securities that could be re-used would normally become available.

An exception to this construct relates to the delivery of specific securities that are received by borrowers and classified as a collateral receipt under the SFTR where details of these specific securities would be available upon agreement of the transaction. However, although known to the parties involved, these specific securities are also not technically and legally available to the recipient until settlement has taken place.

Q119. Is it possible to automatically derive the collateral re-use in some cases given the nature of the SFT (meaning based on the GMRA, GMSLA or other forms of legal agreements)? If yes, please describe these cases and how the information could be derived. Please explain if deviations could be drafted within legal agreements to deviate from the re-usability. [Para 267-268]

While in theory this is technically possible it would require considerable IT development to link legal data bases to trading platforms. Even if this we achievable it is doubtful if such a system could deal with legal exceptions that are common within master agreements.

It is quite possible and fairly common for parties to restrict the others ability to re-use collateral. For example in North American SFT markets collateral in pledged rather that transferred under absolute title transfer. This legal form effectively prohibits the lender from re-using the collateral as whilst they have a security interest in the collateral they do not own it and therefore cannot reuse it. Also for sake of clarity the operational agreements that sit between an agent lender and its institutional client may prohibit reuse defining collateral as simply a risk mitigant.

Any comments on the stated reasons to include clearing information [para 269-271] or the proposed clearing related fields [para 272]?

We would suggest that ESMA consider a single sided reporting for cleared transactions where a “golden record” exists: the CCP would typically have the “golden record” of the cleared transaction: the CCP and the clearing member both have the same record of the trade and the CCP could thus report the transaction.

Q120. Do you agree with the rationale for collection of information on the settlement set out in this section? [para 273-275 & 280]

We would agree with ESMA’s thinking in terms of the importance of the clearing and settlement cycles for SFT’s. Unlike some derivative markets SFT typically physically settle both cash and securities and are reliant on efficient, safe and transparent settlement systems.

Q121. Do you consider that information on settlement supports the identification and monitoring of financial stability risks entailed by SFTs? [para 273-275 & 280]

We would agree that this information would provide additional colour for regulators but feel that it is outside of the mandate of this legislation to collect this data as per the Level 1 text and

consequently we would advocate focussing scarce time and resources on the development of the core reporting disciplines.

Q122. Do you agree with the approach to identify the settlement information in the SFT reports?

Please see our response to Q 120 and 121.

Q123. Do you envisage any difficulties with identifying the place of settlement? [para 278]

Please see our response to Q 120 and 121.

Q124. Are there any practical difficulties with identifying CSDs and indirect or direct participants as well as, if applicable, settlement internalisers in the SFT reports? Would this information be available by the reporting deadline? Please elaborate. [para 279-280]

Please see our response to Q 120 and 121.

Q125. Will this information be available by the reporting deadline? What are the costs of providing this information? [para 281]

We have yet to do any extensive work in this area and would to better understand the costs associated with the development and to what extent this information will add significantly to regulators view of financial stability risks.

Keeping this information available upon request for the regulators might be an alternative solution.

EMIR experience shows that there is no standard for identifying a master agreement, that not all type of master agreement have a date/ version and there are no standards either for identification of the annexes. Adding the fields 10-12 in transaction data means some kind of reconciliation might take place, which is not possible as long as the information provided is not standardized. Should ESMA want to maintain the fields, they might be added to the counterparty data section.

Q126. What other data elements are needed to achieve the required supervisory objectives? Please elaborate. [para 281]

Please see our response to Q125

Q127. Do you agree with the proposed categories of trading methods to be reported by SFT counterparties? [Para 282-283]

We appreciate the validity of trying to assess this market dynamic but feel that some form of periodical survey of market participants is a much more cost efficient of collecting this information.

Q128. Are there any other methods of trading that are not covered? [Para 282-283]

Please see our response to Q 127

Transparency and availability of data – Q129 – Q145

We have not at this stage fully considered questions 129 to 145 as the requirements associated with data validation, reconciliation and the production of reports and outputs for regulators by TR's is not something we are ready to comment on at this stage . We are of course happy to be part of any discussions in this area, as appropriate.

Q136. Would you be favourable of a more granular approach for public data than the one under EMIR? Would you be favourable of having public data as granular as suggested in the FSB November 2015 report? What are the potential costs and benefits of such granular information? Please elaborate.

We believe that the content of the information to be made public by Trade Repositories (TR) should be very carefully considered in order to ensure no commercial sensitive information is being made public. We very much welcome the Level 1 requirement which states that the information published under Article 12(1) should not enable the identification of a party to any SFT. However, we are conscious that other type of data, such as the underlying securities for example, could also lead to sensitive information being made public. We therefore believe that the data that the TR will be required to make public should provide as little granularity as possible, as it is currently the case under EMIR.

We believe that the total cost of publishing more granular data could be significant as this would risk being at the detriment of trading activity and liquidity in the market.

With regards to the FSB report (as mentioned in ESMA's DP), we note that the FSB has still not yet decided the level of granularity of the data to be made public. The FSB report very clearly recognizes the need to safeguard the confidentiality of the data reported by national authorities to the FSB. In their report, the FSB states (FSB report page 25, 26) that the treatment of data and the sharing of aggregates with other reporting authorities and, potentially, the general public, will be handled according to three levels of confidentiality (public, restricted, confidential), which will have to be specified by national authorities.

Q144: Do you foresee any technical issues with the implementation of XSD in accordance with ISO 20022? Do you foresee any potential issues related to the use of same cut-off time across TRs? Do you foresee any drawbacks from establishing standardised xml template in accordance with ISO 20022 methodology for the aggregation and comparison of data? Please elaborate. [para 327-330]

Whilst we recognise the importance of creating a standardised framework we also are aware that ISO 20022 is not yet widely adopted and as such we are mindful of the incremental costs associated with the adoption of ISO 20022 particularly for smaller organisation. If these costs are prohibitive they may lead to smaller market participants and service providers withdrawing from this market with potential negative impacts on market liquidity and overall market efficiency. To address this and whilst we would stress the importance of TR's reporting to regulators within the ISO 20022 framework we would ask ESMA to consider allowing TR flexibility in respect of the data they receive from market participants

APPENDIX – Securities Lending Templates with ISLA commentary

6.1.3.1 Securities Lending Counterparty Data (i.e. ESMA's proposed UNILATERALLY reported data fields) – Table 7 in ESMA's consultation paper

	Field	Details to be reported	Format	ISLA Comment
1	Reporting timestamp	Date and time of submission of the report to the trade repository.	ISO 8601 date in the format and UTC time format, i.e. YYYY-MM-DDThh:mm:ssZ	This data field should be added by the trade repository when the record is received.
2	Report submitting entity	Unique code identifying the entity which submits the report. In the case where submission of the report has been delegated to a third party or to the other counterparty, a unique code identifying that entity. Otherwise, a unique code identifying the reporting counterparty or, where relevant, the entity responsible for reporting)	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	ESMA should clarify that if a vendor's trade reporting service is used to submit a report, this data field should NOT contain the vendor's LEI. It should contain the LEI of the entity which has the responsibility for submitting the report.
3	Reporting Counterparty	Unique code identifying the reporting counterparty	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	Please see our answer to Q40. We propose that where an Agent Lender is reporting a securities lending trade that they have concluded with a borrower, the Agent Lender's LEI should be reported in this data field and the beneficial owner / beneficiary details would be reported separately against the trade using lifecycle events.
4	Sector of the reporting	Nature of the reporting counterparty's company	Taxonomy for Financial Counterparties:	

	Field	Details to be reported	Format	ISLA Comment
	counterparty	activities. If the reporting counterparty is a Financial Counterparty, all necessary codes included in the Taxonomy for Financial Counterparties and applying to that Counterparty shall be reported. If the reporting counterparty is a Non-Financial Counterparty, all necessary codes included in the Taxonomy for Non-Financial Counterparties and applying to that Counterparty shall be reported.	C= Credit institution authorised in accordance with Directive 2013/36/EU or Regulation (EU) No 1024/2013 F= Investment firm authorised in accordance with Directive 2014/65/EU I= Insurance undertaking authorised in accordance with Directive 2009/138/EC L = AIF managed by AIFMs authorised or registered in accordance with Directive 2011/61/EU O = Institution for occupational retirement provision authorised or registered in accordance with Directive 2003/41/EC P= Central counterparty authorised in accordance with Regulation (EU) No 648/2012 R= Reinsurance undertaking authorised in accordance with Directive 2009/138/EC S= Central securities depository authorised in accordance with Regulation (EU) No 909/2014 U= UCITS and its management company, authorised in accordance with Directive 2009/65/EC T=entity specified in the Article 3(3)(d)(i) of [SFTR] Taxonomy for Non-Financial Counterparties. The categories below correspond to the main sections of NACE classification as defined in Regulation (EC) No 1893/2006 1 = Agriculture, forestry and fishing 2 = Mining and quarrying	

	Field	Details to be reported	Format	ISLA Comment
			3 = Manufacturing 4 = Electricity, gas, steam and air conditioning supply 5 = Water supply, sewerage, waste management and remediation activities 6 = Construction 7 = Wholesale and retail trade, repair of motor vehicles and motorcycles 8 = Transportation and storage 9 = Accommodation and food service activities 10 = Information and communication 11 = Financial and insurance activities 12 = Real estate activities 13 = Professional, scientific and technical activities 14 = Administrative and support service activities 15 = Public administration and defence; compulsory social security 16 = Education 17 = Human health and social work activities 18 = Arts, entertainment and recreation 19 = Other service activities 20 = Activities of households as employers; undifferentiated goods – and services –producing activities of households for own use 21 = Activities of extraterritorial organisations and bodies	
5	Country of the branch of the reporting counterparty	The code of country where the branch through which the SFT was concluded is located.	ISO 3166-1 alpha-2 country code 2 alphabetic characters	Please see our answer to Q74 – Q77

	Field	Details to be reported	Format	ISLA Comment
6	Country of the branch of the other counterparty	The code of country where the branch through which the SFT was concluded is located.	ISO 3166-1 alpha-2 country code 2 alphabetic characters	Please see our answer to Q74 – Q77
7	Counterparty side	Identifies whether the reporting counterparty is a buyer or a seller. In the case of securities or commodities borrowing and securities or commodities lending, the counterparty that lends the securities or commodities, subject to a commitment that equivalent securities or commodities will be returned on a future date or on request, shall be identified as the buyer. The other counterparty shall be identified as the seller.	'BUYI' = Buyer 'SELL' = Seller	Please see our answer to Q29. We propose the following codes would be used for securities lending transactions and collateral instead: 'BORR' = Borrower 'LEND' = Lender 'GIVE' = Collateral Giver 'RECV' = Collateral Receiver
8	Entity responsible for the report	In the case where a financial counterparty is responsible for reporting on behalf of both counterparties in accordance with Article 4(3) of SFTR, the unique code identifying that counterparty. In the case where a management company is responsible for reporting on behalf of a UCITS in	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	

	Field	Details to be reported	Format	ISLA Comment
		accordance with Article 4(3) of SFTR, the unique code identifying that management company. In the case where an AIFM is responsible for reporting on behalf of an AIF in accordance with Article 4(3) of SFTR, the unique code identifying that AIFM.		
9	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 used in a consistent manner.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code. Client code (up to 50 alphanumeric characters).	Please see our answer to Q40. We propose that where a borrower is reporting a securities lending trade that they have concluded with an Agent Lender, the Agent Lender's LEI should be reported in this data field. The Agent Lender ONLY would report the beneficial owner / beneficiary details using lifecycle event. We believe that guidance should be provided here on how to report a counterparty who does not have an LEI.
10	Beneficiary	If the beneficiary of the contract is not a counterparty to this contract, the reporting counterparty has to identify this beneficiary by a unique code or, in case of a private individual, by a client code used in a consistent manner	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code. Client code (up to 50 alphanumeric characters).	We believe that guidance should be provided here on how to report a beneficiary who does not have an LEI, as the guidance suggests that a client code is only for use by a private individual.

	Field	Details to be reported	Format	ISLA Comment
		as assigned by the legal entity used by the private individual.		
11	Tri-party agent identifier	Unique code identifying the third party that administers the SFT. When no tri-party agent is used, this information shall not be provided.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	Please see our answer to Q87. We propose that this data field should be part of the collateral pool identification element for securities lending collateral. This is because Tri-party agents are not involved in the securities lending trades themselves, only the management of the pooled collateral. Guidance should be provided on how to report a tri-party agent who does not have an LEI.
12	Broker	The unique code of the entity that acts as intermediary for the reporting counterparty without becoming a counterparty to the SFT itself.	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	This data field is very unlikely to be needed for securities lending transactions, as Brokers are not currently involved in arranging securities lending transactions. Guidance should be provided on how to report a broker who does not have an LEI.
13	Clearing Member	In the case where the trade is cleared, the responsible clearing member shall be identified in this field by a unique code	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	Guidance should be provided on how to report a clearing member who does not have an LEI.
14	CSD	The unique code of the: - deliverer's CSD i.e. the CSD where the securities	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	The CSD data element is not stored in securities lending transaction processing systems. To settle a trade, these systems will typically instruct a global custodian to

	Field	Details to be reported	Format	ISLA Comment
		sold are held before the settlement (in case of transactions reported by the seller) or - receiver's CSD i.e. the CSD where the securities will be held after the settlement (in case of transactions reported by the buyer), in case the SFT settles through a CSDs link		deliver / receive shares. The global custodian may in turn instruct a sub-custodian or else they may handle the settlement themselves. The CSD data element resides in the custodian / sub-custodian systems and is not therefore available for reporting. It would be a backward step for the industry to have to have to obtain and store this information for SFTR reporting purposes only. We note that not all CSDs have LEI codes and not being a party to the trade, it will not be possible to force them to obtain one. Guidance should be provided on how to report a CSD who does not have an LEI.
15	CSD participant or indirect participant	The unique code of the - CSD participant or indirect participant that settles on behalf of the deliverer; or - CSD participant or indirect participant that settles on behalf of the receiver when the reporting;	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	The CSD participant / indirect participant data element is not stored in securities lending transaction processing systems. To settle a trade, these systems will typically instruct a global custodian to deliver / receive shares. The global custodian may in turn instruct a sub-custodian or else they may handle the settlement themselves. The CSD data element resides in the custodian / sub-custodian systems and is not therefore available for reporting. It would be a backward step for the industry to have to have to obtain and store this information for SFTR reporting purposes only. We note that not all CSD participants have LEI codes and not being a party to

	Field	Details to be reported	Format	ISLA Comment
				the trade, it will not be possible to force them to obtain one. Guidance should be provided on how to report a CSD participant who does not have an LEI.
16	Agent lender	The unique code of the agent lender involved in the securities lending transaction	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	We propose that securities lending trades concluded by Agent Lenders should identify the Agent Lender LEI in the Reporting Counterparty or Other Counterparty data fields. ESMA may wish to consider adding a data field to identify that the concluded trade is an agency lending trade, so that the trade repository could expect legal assignment lifecycle events to be reported against the trade by the Agent Lender.
The fields 17-20 shall be populated for each security provided as a collateral in the given transaction.				
17	Collateral component	Identifier of the security or used as collateral.	ISO 6166 ISIN 12 character alphanumeric code	Please see our answers to Q113 - Q119 We recommend that ESMA should collect this data by means of a periodic survey, rather than through transaction reporting to trade repositories. If this data must be reported to a trade repository, we believe it would be better for a separate collateral re-use report to be submitted by market participants at overall ISIN level. This is because re-use can only be estimated where fungible
18	Collateral Re- Use	Indication whether collateral has been re-used.	'true' 'false'	
19	Value of re- used collateral	Value of the collateral re- used	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.	
20	Estimated re-	In the case when the collateral	Up to 11 numeric characters including	

	Field	Details to be reported	Format	ISLA Comment
	use of collateral	re-use cannot be defined at SFT transaction level, an estimate percentage of re-use for a given security.	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.	securities are used, so it does not make sense to report re-use at transaction level.

6.1.3.2 Securities Lending Transaction Data (i.e. ESMA’s proposed bilaterally matched data fields) – Table 8 in ESMA’s consultation paper

	Field	Details to be reported	Format	ISLA Comment
1	Unique Transaction Identifier (UTI)	The global unique reference assigned to the SFT.	52 alphanumeric character code including four special characters: . - _. Special characters are not allowed at the beginning and at the end of the code. No space allowed.	This is a new data field for securities lending transactions that does not exist as part of existing market practice.
2	Report tracking number	In the case of transactions resulting from clearing, UTI of original bilateral transaction. Where an SFT was executed on a trading venue and cleared on the same day, a number generated by the trading venue and unique to that execution.	52 alphanumeric character code including four special characters : . - _. Special characters are not allowed at the beginning and at the end of the code. No space allowed.	We suggest guidance should be provided for all of the scenarios when this data field is expected to be populated, especially since it is listed as a matching data field.
3	Reporting business day	Business day for which the report was submitted to the trade repository	ISO 8601 date in the format YYYY-MMDD	We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and

	Field	Details to be reported	Format	ISLA Comment
				should be reported as Counterparty Data only.
4	Cleared	Indicates, whether central clearing has taken place.	'true' 'false'	We consider that this data field indicates whether the securities lending transaction has been cleared by a CCP or not. If this is correct, the data field should be called 'CCP Cleared'.
5	Clearing timestamp	Time and date when clearing took place.	ISO 8601 date in the UTC time format YYYY-MM-DDThh:mm:ssZ	Assuming this is referring to CCP clearing, this data field should be renamed to 'CCP Clearing timestamp'. We believe that the format of this field should be a date, rather than a timestamp. Market participants do not record the time of clearing in their systems and the time of clearing is unlikely to be of significance to financial stability. It would be more likely to match with counterparties as a date field too.
6	CCP	In the case of a contract that has been cleared, the unique code for the CCP that has cleared the contract	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	Guidance should be provided on how to report a CCP who does not have an LEI.
7	Method of trading	Indication of the method of trading.	Telephone Automated traded systems Automatic trading systems	The method of trading cannot be unambiguously determined for securities lending transactions as transactions may be partially agreed by telephone, partially by email / Bloomberg message and partially using an industry platform.

	Field	Details to be reported	Format	ISLA Comment
				We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should not be reported at all, as it cannot be determined reliably.
8	Trading venue	The venue of execution shall be identified by a unique code for this venue. Where a transaction was concluded OTC and the respective instrument is admitted to trading but traded OTC, MIC code ' XOFF' shall be used. Where a transaction was concluded OTC and the respective instrument is not admitted to trading and traded OTC, MIC code 'XXXX' shall be used.	ISO 10383 Market Identifier Code (MIC), 4 alphanumeric characters. Where segmental MICs exist for a trading venue, the segmental MIC shall be used.	Securities lending transactions are not admitted to trading in the same way as derivatives and are therefore almost always agreed OTC. We believe this data field should NOT be required for securities lending transactions. The securities lending market does make use of platforms (e.g. EquiLend) to assist in the process of concluding securities lending transactions, but such platforms may only offer potential transactions to market participants who then decide whether they wish to enter into them or not. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should not be reported at all, as it would almost always be reported as 'XXXX'.
9	Place of settlement	In case of settlement in securities settlement system, the unique code of the CSD where the settlement is	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumeric character code.	The place of settlement data element is not stored in securities lending transaction processing systems. To settle a trade, these systems will typically instruct a

	Field	Details to be reported	Format	ISLA Comment
		agreed to take place. In case of internalised settlement, the unique code of the settlement internaliser		global custodian to deliver / receive shares. The global custodian may in turn instruct a sub-custodian or else they may handle the settlement themselves. The place of settlement / CSD data element resides in the custodian / sub-custodian systems and is not therefore available for reporting. It would be a backward step for the industry to have to have to obtain and store this information for SFTR reporting purposes only. We note that not all CSD participants have LEI codes and not being a party to the trade, it will not be possible to force them to obtain one. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should not be reported at all, as it is not stored in market participants' systems.
10	Master agreement type	Reference to master agreement under which the counterparties concluded a documented SFT.	???? - MSLA ???? – GMSLA ???? – OSLA ???? - MEFISLA Or up to 50 alphanumeric characters if the master agreement type is not included in the above list	The master agreement type / master agreement version / applicable annexes / bilateral amendment data elements are not typically stored in securities lending transaction processing systems. Due to the significant costs and complexities of collecting, storing and reporting this data in securities lending transaction processing systems, we
11	Master agreement	Reference to the year of the master agreement version	ISO 8601 date in the format YYYY	

	Field	Details to be reported	Format	ISLA Comment
	version	used for the reported trade, if applicable (e.g.1992, 2002, etc.).		believe that this information would be better monitored by means of a periodic survey rather than as part of the transaction reporting process.
12	Applicable annexes to the master agreement	Reference to applicable annexes to	Up to 50 alphanumeric characters	
13	Bilateral Amendment	Indication whether the SFT was concluded under additional terms that modify or complement the underlying legal agreement under which the counterparties concluded a documented SFT.	'true' 'false'	
14	Execution timestamp	Date and time when the SFT was executed.	ISO 8601 date in the UTC time format YYYY-MM-DDThh:mm:ssZ	We note that execution timestamp is not applicable to OTC trades and is not stored in securities lending transaction processing systems. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field should NOT be a matching field nor be reported, as it is not part of the economic details of the transaction agreed with the counterparty.
15	Value Date (Start Date)	Date on which the counterparties contractually agree the exchange of securities or commodities versus collateral for the	ISO 8601 date in the format YYYY-MM-DD	We note that where a securities lending transaction is subject to a failed settlement, the fees for stock loan do not commence until actual settlement date.

	Field	Details to be reported	Format	ISLA Comment
		opening leg (spot leg) of the secured financing transaction. In the case of rollover of open term repurchase transactions, this is the date on which the rollover settles, even if no exchange of cash takes place.		We suggest that guidance is provided as to whether this data field should only contain the original intended start date or whether it should be updated to actual settlement date in the case of a failed settlement.
16	Maturity Date (End Date)	Date on which the counterparties contractually agree the exchange of securities or commodities versus collateral for the closing leg (forward leg) of the secured financing transaction. This information shall not be reported for open term repos.	ISO 8601 date in the format YYYY-MM-DD	We note that in most cases where securities lending transactions are agreed with a "term date", this is in fact a soft term date (i.e. it is an indicative rather than contractual). Lenders will usually retain the right either to to recall their securities so that they can sell them at any time if they wish or else to re-assign the loan to another lender. We anticipate that securities lending market participants will leave this data entry blank unless they have agreed a contractually binding termination date.
17	Termination date	Termination date in the case of a full early termination of the reported SFT.	ISO 8601 date in the format YYYY-MM-DD	We note that securities lending transactions can be partially returned as well as fully returned (i.e. terminated). Any return transactions may have the possibility that they fail to settle, in which case the transactions remain open / on-loan and they continue to accrue fees whilst the returns are failing. We suggest guidance is provided as to whether market participants are required

	Field	Details to be reported	Format	ISLA Comment
				to update the termination date in the event of a failed full return. We do NOT expect market participants to populate this data field in the event of a partial return (i.e. quantity decrease).
18	Minimum notice period	The minimum number of business days that one of the counterparties has to inform about the termination of the transaction.	Integer field up to 3 digits	
19	Earliest call-back date	The earliest date that the cash lender has the right to call back a portion of the funds or to terminate the transaction.	ISO 8601 date in the format YYYY-MM-DD	The 'cash lender' specified here appears to be applicable to Repos only. This is not applicable to securities lending transactions and should be removed from the securities lending transaction reporting template.
20	Collateral Indicator	Indication whether the secured financing transaction is subject to a general collateral agreement. -'true' shall be populated for general collateral. General collateral specifies a collateral arrangement for a repurchase transaction in which the security lender may choose the security to provide as collateral with the cash provider amongst a relatively wide range of	'true' 'false'	The GC / special collateral indicator would appear to be applicable to Repos only. This is not applicable to securities lending transactions and should be removed from the securities lending transaction reporting template.

	Field	Details to be reported	Format	ISLA Comment
		securities meeting predefined criteria. - 'false' shall be populated for specific collateral. Specific collateral specifies a collateral arrangement for a repurchase transaction in which the buyer requests a specific security (individual ISIN) to be provided by the seller.		
21	DBV indicator	This field specifies whether the transaction was settled using the CREST Delivery-by-Value (DBV) mechanism	'true' 'false'	We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field should NOT be a matching field nor be reported, as it is not part of the economic details of the transaction agreed with the counterparty.
22	Method used to provide collateral	Indication whether the collateral is subject to a title transfer collateral arrangement, a securities interest collateral arrangement, or a securities interest with the right of use.	????= title transfer collateral arrangement ????= securities interest collateral arrangement ????= securities interest with the right of use	We believe that this data field can be derived from the legal agreement (see fields 10, 11 and 12) that is used for the transaction. For example, the GMSLA and GMRA both provide for title transfer collateral arrangements, with the collateral receiver being required to return "equivalent" securities / collateral back to the original provider. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should not be reported at all, as it is not

	Field	Details to be reported	Format	ISLA Comment
				stored in market participants' systems.
23	Open term	Indication whether the transaction is open term or, i.e. has no fixed maturity date, or fixed term with a contractually agreed maturity date. 'true' shall be populated for open term transactions, and 'false' for fixed term.	'true' 'false'	This would appear to be a redundant data field, as the maturity date of the transaction is provided in field 17. The trade repositories would therefore already know whether the trade is open term or not.
24	Type of asset	Indication of type of asset subject to the loan	???? – Security ???? - Commodity	
25	Security or commodity identifier	Identifier of the security or commodity subject of the loan. In the case of security this field shall always be populated	ISO 6166 ISIN 12 character alphanumeric code	
Where a commodity was subject of the loan it shall be classified in fields 26-28				
26	Base product	Base product as specified in the classification of commodities table.	Only values in the 'Base product' column of the classification of commodities derivatives table are allowed.	
27	Sub product	The Sub Product as specified in the classification of commodities table. Field requires a Base product.	Only values in the 'Sub product' column of the classification of commodities derivatives table are allowed are allowed.	

	Field	Details to be reported	Format	ISLA Comment
28	Further sub product	The Further sub productas specified in the classification of commodities table. Field requires a Sub product.	Only values in the 'Further sub product' of the classification of commodities derivatives table are allowed.	
29	Quantity or nominal amount	Quantity or nominal amount of the security or commodity subject of the loan In the case of bond a total nominal amount should be reported in this field (number of bonds multiplied by the face value) In the case of other securities or commodities, a quantity shall be specified in this field	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.	
30	Currency of nominal account	In the case where nominal amount is provided, the currency of the nominal amount shall be populated in this field.	ISO 4217 Currency Code, 3 alphabetic characters	We suggest that this data field should not be reported at all, as it should be derived from the ISIN by the trade repository / regulators instead.
31	Security or commodity price	Price of the security or commodity used to calculate the loan value.	Up to 18 numeric characters including up to 5 decimals in case the price is expressed in 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	We note that this data field will only match with counterparties if matched with a suitable tolerance.

	Field	Details to be reported	Format	ISLA Comment
			numeric character. If populated, it shall be represented with a dot.	
32	Price currency	The currency in which the security or commodity price is denominated.	ISO 4217 Currency Code, 3 alphabetic characters	
33	Loan value	This reporting attribute specifies loan value, i.e. the quantity or nominal amount multiplied by the price	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.	We note that this data field will only match with counterparties if matched with a suitable tolerance.
34	Market value	Market value of the securities or commodities on loan or borrowed	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.	We would like guidance on what currency this should be reported in. We recommend that the market value should be reported in the currency that the security is quoted in. This requires the addition of a "Market Currency" field. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should therefore not be a matching data field.
35	Rebate Rate	Interest rate (cash reinvestment rate minus 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	Up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as "100".	We note that in securities lending transactions, the cash rebate rate may be expressed as a spread to a market benchmark rate (e.g. EONIA). We suggest that rebate rates should be provided either as a fixed rate or as a spread to a benchmark rate. Where no change applies to the spread, we would

	Field	Details to be reported	Format	ISLA Comment
		balance of the provided cash collateral.		not expect updated reports to need to be provided every day where the effective rebate rate only changed because of a change in the underlying benchmark rate.
36	Reinvestment Rate	Rate agreed to be paid by the lender for the reinvestment of the cash collateral when the borrower secures the transaction with cash collateral.	Up to 11 numeric characters including up to 10 decimals expressed as percentage where 100% is represented as “100”.	On rebate trades, this rate is known as the Rebate Rate – See previous field. Where pooled cash collateral is provided, the rebate rate on the cash pool collateral should be provided as part of the cash pool collateral reporting, not as an attribute to the securities lending transaction.
37	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”.	This data field would only be applicable to fee based securities lending trades (i.e. those using a separate collateral pool)
38	Type of contract	Indication whether the borrower has exclusive access to borrow from the lender’s securities portfolio	‘true’ ‘false’	

6.1.3.3 Securities Lending Collateral Data - ESMA’s proposed bilaterally matched data – Table 9 in consultation paper

	Field	Details to be reported	Format	ISLA Comment
Where specific collateral was used, the attributes listed in fields 1-30 shall be repeated for each component of collateral, if applicable				

	Field	Details to be reported	Format	ISLA Comment
1	Type of collateral component	Indication of the type of collateral component	???? – Securities ???? – Commodities ???? - Cash	
2	Cash collateral amount	Amount of funds provided as collateral for borrowing the securities or commodities.	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.	
3	Cash collateral currency	Currency of the cash collateral	ISO 4217 Currency Code, 3 alphabetic characters	
4	Collateral component	Identifier of the security or commodity used as collateral. In the case of security, this field shall always be populated.. 1.1.1.1.	ISO 6166 ISIN 12character alphanumeric code	
Where a commodity was used as a collateral it shall be classified in fields 5-7				
5	Base product	Base product as specified in the classification of commodities table.	Only values in the 'Base product' column of the classification of commodities derivatives table are allowed.	
6	Sub product	The Sub Product as specified in the classification of commodities table. Field requires a Base product.	Only values in the 'Sub product' column of the classification of commodities derivatives table are allowed are allowed.	

	Field	Details to be reported	Format	ISLA Comment
7	Further sub product	The Further sub productas specified in the classification of commodities table. Field requires a Sub product.	Only values in the 'Further sub product' of the classification of commodities derivatives table are allowed.	
8	Collateral quantity or nominal amount	Quantity or nominal amount of the security or commodity used as collateral. In the case of bond a total nominal amount should be reported in this field (number of bonds multiplied by the face value). In the case of other securities or commodities, a quantity shall be specified in this field	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.	
9	Currency of collateral nominal amount	In the case where collateral nominal amount is provided, the currency of the nominal amount shall be populated in this field.	ISO 4217 Currency Code, 3 alphabetic characters	We suggest that this data field should be derived from the ISIN and not reported separately.
10	Price currency	Currency of the price of the collateral component	ISO 4217 Currency Code, 3 alphabetic characters	We suggest that matching data fields are restricted to those that affect the economic details of the collateral only. This data field does not affect the economics of the collateral and should therefore not be a matching data field.

	Field	Details to be reported	Format	ISLA Comment
11	Price per unit	Price of unit of collateral component,including accrued interest for interest-bearing securities, used to value the security or commodity	Up to 18 numeric characters including up to 5 decimals. 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.	We suggest guidance is provided to indicate whether this field should be reported pre or post any applicable margin / haircut. We suggest that matching data fields are restricted to those that affect the economic details of the collateral only. This data field does not affect the economics of the collateral and should therefore not be a matching data field.
12	Collateral market value	Fair value of the individual collateral component	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.	We suggest guidance is provided to indicate whether this field should be reported pre or post any applicable margin / haircut. We suggest that matching data fields are restricted to those that affect the economic details of the collateral only. This data field does not affect the economics of the collateral and should therefore not be a matching data field.
13	Haircut or margin	Collateral haircut, a risk control measure applied to underlying collateral whereby the value of that underlying collateral is calculated as the market value of the assets reduced by a certain percentage. Only actual values, as opposed to estimated or default values are to be	Up to 11 numeric characters including up to 5 decimals expressed as percentage where 100% is represented as “100”.	Please see our answer to Q85. Haircut / margin is best looked at from the perspective of exposure at a relationship level. A lender’s margin is the excess market value of all the collateral versus the market value of all of the associated securities lending transactions. We recommend that this data field is not

	Field	Details to be reported	Format	ISLA Comment
		reported for this attribute.		supplied.
14	Collateral quality	Code that classifies the risk of the security used as collateral	[????-Investment grade ???? - Non-investment grade ???? - Non-rated]	This data field should be derived by the regulators / trade repositories from the ISIN.
15	Maturity of the security	Maturity of the security used as collateral	ISO 8601 date in the format YYYY-MM-DD	This data field should be derived by the regulators / trade repositories from the ISIN.
16	Jurisdiction of the issuer	Jurisdiction of the issuer of the security used as collateral. In case of securities issued by a foreign subsidiary, the jurisdiction of the ultimate parent company shall be reported or, if not known, jurisdiction of the subsidiary.	ISO 3166-1 alpha-2 country code 2 alphabetic characters	This data field should be derived by the regulators / trade repositories from the ISIN.
17	LEI of the issuer	LEI of the issuer of the security used as collateral.	ISO 3166 1 alpha-2 country code 2 alphabetic characters	This data field should be derived by the regulators / trade repositories from the ISIN. Note: In many cases, the issuer of the security will not have an LEI and the parties to the securities lending transaction will not be able to ask the security issuer to obtain one.
18	Availability for collateral Re-Use	Indication whether the buyer can re-use the collateral	'true' 'false'	We believe that this data field can be derived from the legal agreement (see fields 10, 11 and 12) that is used for the transaction. For example, the GMSLA and GMRA both provide for title transfer collateral arrangements, with the

	Field	Details to be reported	Format	ISLA Comment
				collateral receiver being required to return “equivalent” securities / collateral back to the original provider. We suggest that matching data fields are restricted to those that affect the economic details of the trade only. This data field does not affect the economics of a securities lending transaction and should not be reported at all, as it is not stored in market participants’ systems.
Field 19 shall be populated in the case where collateral pool was used. The explicit collateral allocation for SFTs transacted against a collateral pool should be reported in fields 1-18				
19	Collateral pool identifier	If the collateral pool can be identified with an ISIN, the ISIN of the collateral pool. If the collateral pool cannot be identified with an ISIN, the proprietary identification code of the collateral pool.	ISO 6166 ISIN 12 character alphanumeric code, or in the case of proprietary code:52 alphanumeric character code including four special characters : . - _. Special characters are not allowed at the beginning and at the end of the code. No space allowed.	Please see our answer to Q87. We would not expect reporting parties to provide this identifier as part of reporting securities lending transactions. It would be utilised for reporting collateral pools only.