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| Response Form to the Consultation Paper  |
| Draft Guidelines on calculation of positions in SFTs by Trade Repositories |

**Responding to this paper**

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

* respond to the question stated;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

ESMA will consider all comments received by **15 September 2020.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

**Instructions**

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA\_QUESTION\_CP\_SFPO\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_SFPO\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_SFPO\_ABCD\_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA’s website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading “Your input – Open Consultations” 🡪 “Consultation on Guidelines on calculation of positions in SFTs by Trade Repositories”).

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading [Legal Notice](http://www.esma.europa.eu/legal-notice).

**Who should read this paper**

All interested stakeholders are invited to respond to this consultation paper. In particular, responses are sought from trade repositories (TRs), trade associations and the entities specified in Article 12(2) of Regulation (EU) 2015/2365 (SFTR) .

**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | London Stock Exchange Group |
| Activity | Other Financial service providers |
| Are you representing an association? |[ ]
| Country/Region | UK |

**Introduction**

***Please make your introductory comments below, if any***

<ESMA\_COMMENT\_SFPO\_1>

The London Stock Exchange Group (“LSEG”) is a financial market infrastructure provider, headquartered in London, with significant operations in Europe, North America and Asia. Its diversified global business focuses on capital formation, intellectual property and risk and balance sheet management. LSEG operates an open access model, offering choice and partnership to customers across all of its businesses.

LSEG operates UnaVista (“UV”), offering rules-based data matching and validation service, available globally and designed to manage multiple workflows irrespective of market, geography and asset class. UnaVista Ltd is an authorised and regulated EMIR Trade Repository (“TR”) operating across all asset classes for both exchange traded derivatives and OTC derivatives. UnaVista TRADEcho BV is an authorised and regulated EMIR Trade Repository (“TR”) and an SFTR TR based in the Netherlands, operating across all asset classes for both exchange traded derivatives and OTC derivatives and a European Approved Reporting Mechanism (“ARM”) under the MiFID regime.

General remarks

LSEG welcomes the opportunity to comment on ESMA’s consultation on the guidelines on calculation of positions in SFTs by TRs. In general:

* We believe that the information provided in these guidelines is quite high level and that we would require more granular detail to properly assess the requirements and feasibility. Hence we would welcome further clarity in our response to specific questions in this consultation.
* We would also suggest that ESMA considers a second consultation process to ensure that the TRs have the information and guidance required to perform the aggregate data sets.
* There are 5 daily reports listed in the NCA requirements from ESMA, where we suggest that there be an inclusion of an outlier’s report as opposed to a requirement to re-aggregate all 5 reports with outliers included and excluded which is complex and time consuming especially given each regulators differing mandates.
* We would also like to ask ESMA for clarity on the FSB reports, i.e. are these state reports - i.e. a report as of a singular given date (such as of the last day of each month) or are these reported details – i.e. a report as of a given period (such as the first to the last day of each month).
* The frequency of the reports appears to be monthly from the FSB website – we would suggest these be included in the next document or consultation that ESMA publishes on this topic. The FSB reports are linked below:
* <https://fsb.org/wp-content/uploads/FSB-Standards-for-Global-Securities-Financing-Data-Collection.pdf>
* <https://www.fsb.org/2018/03/securities-financing-transactions-reporting-guidelines/>
* There appears to be an implementation date already provided, hence we suggest that ESMA provides an implementation period after the publication of the final standards which would allow time for the creation and sign off of the schema as well as provision of any details required for the aggregations to be implemented by each TR.

<ESMA\_COMMENT\_SFPO\_1>

**Questions**

1. Do you agree with the proposed approach to implementation? Please elaborate on the reasons for your response.

<ESMA\_QUESTION\_SFPO\_1>

In regards the proposed text in guideline 1 that refers to reporting date, settlement and value dates, we suggest that for consistency the text refers to the open trade, in line with the reporting guidelines.

 ”*TR should include SFTs in the relevant position aggregate (s) from the moment in which they have been reported*” and the supporting example demonstrating the report inclusion from event date “T” is different to the example provided in table 2 where the report is not aggregated until day 2 (T+1) and not day 1 or T. We would appreciate clarification as to which table should be amended.

<ESMA\_QUESTION\_SFPO\_1>

1. Do you foresee any additional option, that would represent SFT exposures more accurately? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_2>

The text in question 2 refers to the trade state data, the trade state includes any report for the previous submission date rather than a specific trade date (there may be a mixture of trade dates included). “*Finally, Article 5(4) RTS on aggregation requires the TR provides the calculated positions at the earliest opportunity and no later than the working day following the receipt of an SFT*”. This would indicate a submission date + 1 aggregation.

The table indicates a Trade-date based aggregation rather than a submission date aggregation where the TR seek a specific trade date to aggregate on T+2 irrelevant of the submission date. The text states, “if a report is submitted to a TR on T+1, then the calculation should be carried out on the following day (T+2) capturing all of the trade state data relation to event date T. This is not the same data as is contained on the trade state which aggregates all reports from the prior close of business submission date.

Paragraph 25 contains a reference to “intended settlement date” calculations “the rest of the reporting should be done using the intended settlement date”. This is different to the text listed above and does not appear on the various table of fields included in the regulatory text. We suggest that ESMA clarifies the fields and the logic required for this calculation.

We have noted the reference to local time which we have responded upon in question 3.

<ESMA\_QUESTION\_SFPO\_2>

1. Is there any additional aspect that needs to be clarified with regards to the timeline for provision of position data? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_3>

The example in guideline 2 demonstrates inclusion of the report into aggregates at the end of T+1 i.e. T+2 which contradicts to the text “based on the latest trade state”.

The latest trade state has all reports from the previous submission date as per the text “Finally, Article 5(4) RTS on aggregation requires the TR provides the calculated positions at the earliest opportunity and **no later than the working day following the receipt of an SFT**”. The latest trades state would therefore include a mixture of T and T+1 reports in contradiction to the aggregate requirements of a specific trade date only.

Can ESMA clarify which data set to use, a new aggregation as of T+1 using all data from T and T+1 sent on T+2 (which would be later than the working day following the receipt – it could be up to 2 days following the receipt of the SFT if the report is sent to the TR on T) or should the TR aggregate based on submission day + 1 i.e. the working day following the receipt of the SFT?

LSEG does not aggregate based on each firms’ local time (counterparty local time) the inclusion of this logic would be complex, could introduce errors and would have the capacity to cause delays in report generation. The regulation requires UTC to be provided in the relevant timestamp fields; LSEG recommends that UTC should be used as a standard aggregate time zone (it can be taken from the reported fields rather than inferred by the TR).

<ESMA\_QUESTION\_SFPO\_3>

1. How should we consider the inclusion of SFTs in positions, when due to timezone difference, an SFT cannot be included in a position calculation for Event date T and it is reported on T+1? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_4>

LSEG suggests that if ESMA utilises the submission date + 1 aggregation, then reports outside of a given submission date will be included in the next aggregation i.e. the submission date +1 aggregation.

<ESMA\_QUESTION\_SFPO\_4>

1. Do you agree with the proposed approach for calculating positions and excluding SFTs which are missing one of the required metrics and dimensions? Alternatively, could you consider any of the proposed alternatives or propose some additional ways to calculate the SFT positions? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_5>

We suggest using “N/A” for aggregates with missing values would be the most effective method. Some asset classes are missing attributes in all scenarios so would not feature in any aggregate which is counter to the requirement to aggregate all asset classes.

Calculating median figures would be complex and error prone, different TRs could calculate the median figures in different ways which has the potential to provide data that becomes incomparable and skew the data that has been sent to the TR. LSEG suggests that the use of “N/A” would be the best outcome.

<ESMA\_QUESTION\_SFPO\_5>

1. Do you agree with the establishment of a process for identification of outliers by the TRs? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_6>

The data excluded by each TR should be reported to ESMA through an Outlier report so ESMA / NCA’s still have the full picture of reported data. For the aggregates to be standard the TRs need to exclude data with the same parameters. LSEG suggests that ESMA propose a specification for the calculation of outliers to ensure this harmonisation.

LSEG does not believe that outliers should be aggregated and included but would have a preference for a separate outlier report to capture the extraordinary data set. This report could be made available for regulators to have a complete view. LSEG do not wish to aggregate both without and with outliers as additional reports adding to the complexity of the required aggregation logic.

<ESMA\_QUESTION\_SFPO\_6>

1. Do you consider that this process should be further standardised across TRs? If so, what specific aspects and statistics should be considered? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_7>

We believe that to ensure the standardisation of calculations it would be beneficial for ESMA to consult on a specification for the calculation of outliers. The fields used to calculate outliers should be relevant to the schema that the report aggregate is for.

Currently the exclusion logic in place is based on nominal values, which are not specific to schema i.e. the nominal values are analysed based on Transaction, Margin and re-use reports separately. There is no logic in the TR and no reference in the regulatory texts to reconciling data sets across the 4 tables in the official journal (related to transactions, margin and reuse reports).

<ESMA\_QUESTION\_SFPO\_7>

1. What additional aspects should be clarified with regards to the availability of algorithms for ESMA? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_8>

LSEG considers that it is important that the TRs implement the same approach. LSEG suggests that either an algorithm is created by ESMA for all TR’s to utilise or the TR Working group reach a consensus for a standard algorithm.

<ESMA\_QUESTION\_SFPO\_8>

1. Do you agree with the proposal to align the record-keeping of position calculations under SFTR with EMIR? What other aspects should be considered? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_9>

If a firm ports all open and closed data for all time the receiving TR can keep the historical position calculations. The porting in TR should not have to re-calculate historical data set and should be exempted from re-running at the request of the NCA. If the porting in data is only open trades then the inbound TR should not be required to retain the historical positions, these should be kept at the porting out TR for the 2 year period which is aligned to the process in EMIR.

The record keeping paragraph 38 contradicts with the text from the sections provided, we believe that it would be difficult if the TRs are required to re-run historical requests at the request of an NCA. This is very complex and will require considerable system capacity given any periods could be re-requested.

<ESMA\_QUESTION\_SFPO\_9>

1. Do you agree with the proposed approach to compute weighted-average prices and volumes? Do you agree with the proposed list of fields in Table 2 for the computations? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_10>

We suggest ESMA explains further the approach to avoid double counting.

In reviewing the information, LSEG had a number of questions where we would need some clarification:

1. Where the TR has both sides of the report and there are reconciliation breaks, what attributes should be reported?
2. Is there a different calculation logic where both parties have a reporting obligation rather than only one party having a reporting obligation?
3. What is the process where only one party is listed as having a reporting obligation but both parties report?
4. Where ESMA list values that are weighted can they provide the exact calculation that is expected for the avoidance of any doubt. How should TRs represent values where they repeat or where more than one value is provided? Can ESMA confirm that the values we receive should be treated as absolute values for the purpose of the calculations or should the sign be included (i.e. if we calculate two positive values versus if we calculate a positive and a negative)?

<ESMA\_QUESTION\_SFPO\_10>

1. Do you agree with including in the report the original currency of the SFTs as well as its EUR equivalent monetary values? Do you consider that a different approach to bucketing should be considered? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_11>

The guideline states that the ECB rate should be used for the given event date, this will cause problems if there are a mixture of different event dates in a file (a report has not been updated or modified so the event date is X period prior the run date). LSEG suggests that this should be based on the FX rate for the day that the aggregate data is compiled with the aggregate values made available the day following.

Besides, could we clarify how should TRs treat those aggregates where firms are both reporting to the same TR but there is a break on the currency?

<ESMA\_QUESTION\_SFPO\_11>

1. Do you consider that the key characteristics of SFTs are covered by the proposed list of dimensions in Table 3? If not, please indicate which other data fields should be considered and how those should be considered? Alternatively, do you consider that some dimensions could be excluded as they would not contribute to the better understanding of the outstanding exposures between SFTs? Please detail the reasons for your response?

<ESMA\_QUESTION\_SFPO\_12>

We believe that the solution is not currently designed to cross reference data sets across different tables. This would not be possible for TRs to compute in a timely manner. The records are treated independently of one another. Additional complexity would be added to “decompose” a re-use message into individual ISIN to pull reference data through.

We ask for further clarification on this. What would be the method to aggregate “single sided trades” v. “dual sided trades” v. one party has a reporting obligation and the other party does not. How would TR’s demonstrate reports where both sides are reporting to the TR “Dual sided” but there is a reconciliation break?

<ESMA\_QUESTION\_SFPO\_12>

1. Specifically in the case of the collateralisation on net exposure basis, do you think that the TRs should create separate positions for those SFTs without considering the counterparty side? Please detail the reasons for your response?

<ESMA\_QUESTION\_SFPO\_13>

The collateralisation of net exposure does not have a “side” allocated, as the next exposure could be based on many loan data sets it would not be possible to compute a “side”. We believe that rather than treat net collateral and UTI based collateral in different manners it would be beneficial for the computation to remove side from the collateral aggregation requirements.

<ESMA\_QUESTION\_SFPO\_13>

1. Do you agree with the proposed bucketing? Should ESMA consider an alternative approach? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_14>

We suggest that the listed currencies and the “rest of the world” be aggregated, which would reduce the number of categories we need to aggregate.

LSEG agree to aggregate at the following levels: The following currency buckets should be considered: a. EUR b. SEK c. DKK d. PLN e. CZK f. BGN g. HRK h. HUF i. RON j. GBP k. CHF l. NOK m. ISK n. USD o. JPY p.

We would ask if the following categories be combined into one “rest of world” category rather than two separate categories:

Other advanced aggregate (AUD, CAD, HKD, NZD, SGD, TWD) - only in EUR

 Rest of the world - only in EUR

<ESMA\_QUESTION\_SFPO\_14>

1. Do you agree with the proposed inclusion of triparty agents and agent lenders in the position reports? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_15>

LSEG suggests ESMA clarifies the situation where both sides of the report are sending reports to the TR and one side lists a tri-party agent but the other does not – how should the TR compute this?

<ESMA\_QUESTION\_SFPO\_15>

1. Do you agree with the proposed list of benchmarks and tenors? Are there other key interest rate benchmarks that should be included? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_16>

The ESTR (+ OIS) rate is not one of the standard rates in the regulatory text, firms would be using the free format field so LSEG believes that this should be an aggregate, there is a greater risk for erroneous or different reporting between the two parties in the free format fields.

The reference rates listed include CCY however the fields in the report do not combine reference rates and currencies. For the purpose of aggregation and to avoid introducing errors in the calculation the floating rate codes as listed in the regulation should be used. If ESMA are anticipating the combination of floating rate fields and currency fields this will need to be clarified in all scenarios to ensure the correct calculation is undertaken.

For the avoidance of doubt the floating rates that have dedicated codes attached are as follows : "EONA'. 'EONS', 'EURI', 'EUUS', 'EUCH', 'GCFR'. 'ISDA', 'LIBI', 'MAAA', 'PFAN', 'TIBO', 'STBO', 'BBSW', 'JIBA', BUBO', 'CDOR', 'CIBO'. 'MOSP', 'NIBO'. 'PRBO', 'TLBO' , ' WIBO', 'TREA', 'SWAP' or 'FUSW'. Potentially with a category for OTHR to include the free format floating rates that do not have a specific associated code.

<ESMA\_QUESTION\_SFPO\_16>

1. Do you agree with the proposed grouping of SFT positions based on the trading venue field? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_17>

We suggest that ESMA references the specific document to refer to for the calculation of venues, venue is not an attribute that is included in all action types for all asset classes. Will there be an N/A category for the same venue?

<ESMA\_QUESTION\_SFPO\_17>

1. Do you agree with the proposed bucketing regarding maturity dates? What additional aspects should be considered when calculating the term of the SFTs and the residual maturity of the securities used to collateralise that SFT? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_18>

It would be helpful to clarify what the “first leg of the transaction” relates to. Should this not relate to the execution timestamp v. the maturity / ETRM date? Many reports have repeating elements that could have different attributes – what should TRs use in these instances?

<ESMA\_QUESTION\_SFPO\_18>

1. Do you agree with the inclusion of all values on reconciliation status or additional grouping should be performed? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_19>

We suggest ESMA clarifies if the provision of this data is in one field or through a series of dedicated fields for each specific status.

<ESMA\_QUESTION\_SFPO\_19>

1. Do you agree with the use of ISO 20022 XML messages for the FSB positions? Please provide the reasoning for your answer.

<ESMA\_QUESTION\_SFPO\_20>

There is no schema currently produced for the purpose of position reporting, we would like clarification on whether a new schema will be generated for this requirement.

<ESMA\_QUESTION\_SFPO\_20>

1. Do you agree that the FSB reports should be calculated for all authorities (i.e. also NCAs/NCBs that are not mandated to report the FSB) for risk monitoring purposes? Please elaborate on the relevant cost aspects. Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_21>

The data aggregation requirements take considerable system resources to produce, as it will process 5 daily reports for NCAs and will process the ECB aggregations separately. LSEG suggests that this should be restricted to the NCA with FSB reporting requirements and as per the FSB document should be monthly rather than daily due to the considerable nature of the aggregation requirements.

Which schema / tables will be used for the ECB aggregation, is this only for the 052 Transaction message i.e. tables 1 & 2 of the official journal?

<ESMA\_QUESTION\_SFPO\_21>

1. Do you agree with usage of the ECB conversion rates? Are you aware any other public data source providing conversion rates for further currencies?

<ESMA\_QUESTION\_SFPO\_22>

LSEG have found that the ECB rate is not available for all currencies, what do TRs use in scenarios where no ECB conversion rate is available? The FED rate can be used for USD but there are additional ISO currencies that the ECB does not publish exchange rates for.

<ESMA\_QUESTION\_SFPO\_22>

1. Which public and non-public sources of the LEI to sector mapping could be used to classify entities not reporting under SFTR? Please elaborate further on the proposed source.

<ESMA\_QUESTION\_SFPO\_23>

The LEI does not have the level of granularity required to derive this information. It would be very complex and error prone to try to establish the sector of the other counterparty 1.11, this should not be a requirement for TRs until the SFTR fields are updated to incorporate this information on inbound reports.

<ESMA\_QUESTION\_SFPO\_23>

1. What additional aspects related to the aggregations for FSB reporting should be clarified? Please detail the reasons for your response.

<ESMA\_QUESTION\_SFPO\_24>

We suggest that “Original maturity” be clarified in terms of the from/to fields i.e. should TRs use the ETRM + maturity date (as the to the fields) and what should TRs use as the from date?

We would ask ESMA for further clarification on the below points as well:

Currency - which currency field should be used there are several currency fields?

Counterparty jurisdiction - which of the 3 GLEIF address fields should be used to derive this?

The collateral data set appears to link back to details in the loan – how would this be represented to net collateral? If TRs have net collateral and cannot extract the attributes required should we only aggregate the UTI based collateral figures?

How do TRs derive the collateral maturity categories? Could you please confirm the dates used to establish the maturity (from / to) available for every collateral type update over every product?

LSEG also suggests that NCA’s consider how they will ensure that there is no double counting with the aggregate level data provided. Which values would we have to halve and how would TRs determine which reports would be required to adjust?

<ESMA\_QUESTION\_SFPO\_24>

1. Do you understand and agree with the proposed mapping for repo and reverse repo of the FSB reporting guidelines? If not please detail further.

<ESMA\_QUESTION\_SFPO\_25>

The table refers to trade state data but also to executed within the last month, these are two different aggregate requirements, please clarify if these are calculations for – reported within X period or trade state data i.e. a snapshot as at x period. Are all action types to be included in this aggregation or is this the value of the NEWT messages?

We suggest ESMA clarifies how net collateral will be represented.

<ESMA\_QUESTION\_SFPO\_25>

1. Do you understand and agree to the securities lending mapping of the FSB reporting guidelines? If not please detail further.

<ESMA\_QUESTION\_SFPO\_26>

We suggest ESMA clarifies how net collateral will be represented.

<ESMA\_QUESTION\_SFPO\_26>

1. Do you understand and agree to the margin lending mapping of the FSB reporting guidelines? If not please detail further.

<ESMA\_QUESTION\_SFPO\_27>

We suggest ESMA clarifies how net collateral will be represented.

<ESMA\_QUESTION\_SFPO\_27>