

# Summary of ICMA proposals for SFTR Refit

(covering Level 1, 2 & 3)

## Proposed Level 1 issues for SFTR Refit

### A. Key issues

	issues	proposals
A1.1	<b>definition of a Repurchase Transaction (REPO)</b> (SFTR Article 3(9))	<b>Theme: definitions</b> <ul style="list-style-type: none"> <li>The definition of repurchase transaction in SFTR should be corrected to reflect the fact that there is no such thing as repo collateralized by guarantee.</li> <li>An accurate definition is <i>“a transaction governed by a written agreement under which a counterparty sells securities, commodities and other assets and simultaneously commits to repurchase the same or similar assets at a future date or, in the case of open-ended transactions, when terminated by either party. In a repurchase transaction, in the event of an income payment on the asset sold to the buyer, an equivalent payment immediately becomes due and payable by the buyer to the seller.”</i></li> </ul>
A1.2	<b>Definition of a Buy/Sell-Back (SBSC)</b> (SFTR Article 3(8))	<b>Theme: definitions</b> <ul style="list-style-type: none"> <li>There is no need for a separate reporting template for buy/sell-backs, given that the sole substantive difference from a repurchase transaction is what happens when there is an income payment on collateral, which is not directly reportable under SFTR and is not a matter of systemic risk. The buy/sell-back template should therefore be removed and all repos should be reported using the current template for repurchase transactions.</li> <li>If it is thought necessary to identify buy/sell-backs, a specific indicator could be included.</li> <li>If the separate reporting of buy/sell-back is retained, the definition needs to be corrected. Buy/sell-backs are not always undocumented.</li> <li>An accurate definition of a buy/sell-back is <i>“a transaction, which may or may not be governed by a written agreement, in which a counterparty sells securities, commodities and other assets and simultaneously commits to repurchase the same or similar assets at a fixed future date. In a buy/sell-back, in the event that an income payment on the asset sold to the buyer will be due and payable during the life of the transaction, a compensatory adjustment is made in advance to the repurchase price.”</i></li> </ul>
A1.3	<b>CCP-cleared repos</b>	<b>Theme: reporting obligation</b> Abolish the obligation for clearing members to report repos that are centrally-cleared in the EU and their margins. Draw the data instead directly from the CCPs, as in the US. This solution would significantly reduce the burden of reporting for clearing members.
A1.4	<b>Tri-party repo</b>	<b>Theme: reporting obligation</b> Abolish the obligation on market participants to report repos managed by tri-party agents in the EU. Draw instead directly from agents, as in the US.
A1.5	<b>Reconciliation</b>	<b>Theme: reconciliation</b> Pairing, matching and reconciliation should be abandoned and replaced by more effective Level 2 changes to improve data quality, eg greater clarity in the rules and supervisory enforcement. The problem could also be alleviated by direct reporting of CCP-cleared and tri-party repo by the relevant financial market infrastructures.

## B. Other issues

B1.1	Exemption from reporting	<b>Theme: reporting obligation</b> Exemptions from SFTR reporting obligations need to be clarified.
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## Proposed Level 2 issues for SFTR Refit

### A. Key issues

	issues	proposals
A2.1	<b>Broker</b> (field 1.15)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>Field 1.15 should be replaced by a general field called “broker or arranger”, solely for repo, which would capture (1) broker-dealers acting as brokers and (2) voice-brokers.</li> <li>If this field is retained, it should be limited to broker-dealers when acting as brokers.</li> <li>The new EMIR field “executing agent” would <u>not</u> be appropriate for broker-dealers acting as brokers or for voice-brokers, as they arrange but do not execute transactions.</li> <li>But “executing agent” would be correct to introduce this field to report fund managers lending cash through repo on behalf of client funds. These managers have a different contractual arrangement to brokers (permanent rather than occasional).</li> <li>The reporting of fund managers lending cash through repo on behalf of client funds is currently split between field 1.15 (Broker) and field 1.18 (Agent Lender). As noted, field 1.15 is not appropriate for fund managers. Nor is field 1.18, as Agent Lender is widely understood to mean a lender of securities. Field 1.18 should be returned to its original meaning of securities lender.</li> </ul>
A2.2	<b>Agent Lender</b> (field 1.18)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>As argued in A2.1 above, field 1.18 (Agent Lender) should be redefined to cover only contractual arrangements to lend securities on behalf of a client and to expressly exclude repos.</li> <li>A2.1 above also proposes solutions for the accurate reporting of (1) broker-dealers acting as brokers, (2) voice-brokers and (3) fund managers lending cash on behalf of client funds.</li> </ul>
A2.3	<b>Clearing Timestamp</b> (field 2.06)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>For CCP-cleared trades on a <i>Trading Venue</i>, given the minimal delay between matching on a venue and registration by the CCP and, given the faster availability of the <i>Execution Timestamp</i> from the venue, clearing members should be allowed to use the <i>Execution Timestamp</i> of the venue as the <i>Clearing Timestamp</i>, subject to reporting an EROR should the trade not be accepted by the CCP on the same day.</li> <li><i>Execution Timestamp</i> should cease to be a reporting field for CCPs or should be reported equal to the <i>Clearing Timestamp</i>.</li> </ul>
A2.4	<b>Trading Venue</b> (field 2.08)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>The aim of Trading Venue = XOFF should be to capture indirect post-trade registration with a CCP. Merely connecting post-trade to a trading platform has no economic purpose. For this purpose, it would be simpler and more accurate to report an OTC transaction (XXXX) and also populate the various central-clearing fields for the relevant Event Date, in which case, XOFF should be removed.</li> <li>If XOFF has another purpose, it needs to be explained.</li> </ul>

<b>A2.5</b>	<b>Trading Venue</b> (field 2.08)	<b>Theme: adding or amending fields to reflect market reality</b> Trading Venues with a MIC should be redefined as dedicated platforms for the negotiation and/or execution of transactions (CLOBs and RFQs) but not messaging services without structured negotiation facilities as these are merely communication devices (eg Bloomberg IB/VCON).
<b>A2.6</b>	<b>Trading Venue</b> (field 2.08)	<b>Theme: adding or amending fields to reflect market reality</b> Replace the use of MICs to identify Trading Venues with LEIs.
<b>A2.7</b>	<b>Execution Timestamp</b> (field 2.12)	<b>Theme: reconciliation</b> The definition of time of execution needs to be defined in practical operational terms which reporting parties can understand and uniformly implement.
<b>A2.8</b>	<b>General Collateral Indicator</b> (field 2.18)	<b>Theme: removing or amending dysfunctional or redundant fields</b> This field should be removed.
<b>A2.9</b>	<b>price of a Buy/Sell-Back (SBSC)</b> (field 2.49)	<b>Theme: adding or amending fields to reflect market reality</b> This field provides no information on the price of a buy/sell-back. Technical Standards should instead specify the reporting of the repo rate for buy/sell-backs, in line with the reporting of repurchase transactions and market practice (if buy/sell-backs are to continue to be reported separately).
<b>A2.10</b>	<b>Value Date of Collateral</b> (field 2.74)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>This field should be removed for repo.</li> <li>If retained, this field should revert to its original narrow function of identifying “pre-payment” of collateral in securities lending.</li> </ul>
<b>A2.11</b>	<b>Classification of Security Used as Collateral</b> (field 2.79)	<b>Theme: removing or amending dysfunctional or redundant fields</b> Remove field 2.79 or limit the requirement to the first and second letters (Category and Group), given that these are the only fields which are reconciled and that the ISIN provides a route to all relevant information about a security.
<b>A2.12</b>	<b>Classification of Security Used as Collateral</b> (field 2.79)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>A preferred solution is given above, which is to resolve the reporting difficulties of field 2.79 by removing it entirely or limiting the requirement to just three letters of the code, which provide the most useful information.</li> <li>Otherwise, ESMA should press ANNA to complete the coverage of their CFI database. Moreover, ESMA should audit and validate the CFI codes in FIRDS, and press ANNA to do the same, in order to remove current errors. Procedures should be established by both organizations to validate new codes against the ISO standard.</li> </ul>
<b>A2.13</b>	<b>Haircut or Margin</b> (field 2.89)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>This field should be removed.</li> <li>If retained, the title of this field should be changed to “Haircut” to remove the ambiguity of what is to be reported. Or, given that the reference to “Margin” only applies to margin lending transactions, the name could be changed to “Haircut or MGLD Margin”.</li> </ul>
<b>A2.14</b>	<b>Collateral Quality</b> (field 2.90)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>This field should be removed.</li> <li>If this field is retained, it should cease to be a matching field.</li> <li>If this field is retained, clearer definitions of NOTR and NOAP need to be provided.</li> </ul>
<b>A2.15</b>	<b>Collateral Quality</b> (field 2.90)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>This field should be removed.</li> </ul>

		<ul style="list-style-type: none"> <li>• If this field is retained, parties should be allowed to report the lowest rating from two authorized external credit rating agencies.</li> <li>• If this field is retained, collateral eligible for refinancing at the ECB or other central banks should be exempt.</li> </ul>
<b>A2.16</b>	<b>Collateral Type</b> (field 2.94)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>• This field should be removed.</li> <li>• If this field is to be retained, ESMA should ask the ECB to press the FSB Data Management subgroup to complete its promised work urgently, until which time, this field should cease to be a matching field.</li> </ul>
<b>A2.17</b>	<b>Action Type ETRM</b> (field 2.98)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <p>ETRM should be removed and the exercise of pre-agreed termination options or ad hoc agreements to terminate repos should all be reported as modifications (MODI) of the Maturity Date (field 2.14).</p>
<b>A2.18</b>	<b>Level</b> (field 2.99)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <p>This field is redundant and should be removed.</p>
<b>A2.19</b>	<b>parallel reporting by multiple agent --- COLU reports</b>	<b>Theme: reconciliation</b> <p>ISLA has proposed the following additional primary keys for pairing net collateralized SFTs:</p> <ul style="list-style-type: none"> <li>• 1.03 Reporting counterparty</li> <li>• 1.07 Branch of the Reporting Counterparty</li> <li>• 1.08 Branch of Other Counterparty</li> <li>• 1.11 Other Counterparty</li> <li>• 1.14 Triparty Agent</li> <li>• 1.18 Agent Lender</li> <li>• 2.04 Type of SFT</li> <li>• 2.09 Master Agreement Type</li> <li>• 2.96 Collateral Basket Identifier</li> </ul>
<b>A2.20</b>	<b>reconciliation</b>	<b>Theme: reconciliation</b> <ul style="list-style-type: none"> <li>• Optional fields should not be matched fields.</li> <li>• Optionality should be replaced (where possible) by express conditionality rules.</li> </ul>
<b>A2.21</b>	<b>Sponsored and other guaranteed, and indemnified repo</b>	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>• If data is required on third-party credit enhancement of repo involving counterparties who are not CCP-clearing members or have limited membership of the CCP, it could be provided with two new fields.</li> <li>• One new field would describe the type of arrangement, of which, there are three.</li> <li>• The other new field would identify the third-party.</li> </ul>

## B. Other issues

<b>B2.1</b>	<b>Beneficiary</b> (field 1.13)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>• This field provides little or no information relevant to the monitoring of systemic risk, and is difficult to populate, which means that reporting is inconsistent. It should be removed.</li> <li>• If field 1.13 is retained, it should be redefined as <i>“a legal entity which holds beneficial title to a repurchase transaction or buy/sell-back while legal title is held by the Reporting Counterparty. The entity holding legal title should be reported in field 1.3 if it is not also the holder of beneficial title.”</i></li> </ul>
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		<ul style="list-style-type: none"> <li>In field 1.13 is retained, it needs to be clarified whether or not it needs to be populated when the Beneficiary is also the Reporting Counterparty.</li> </ul>
<b>B2.2</b>	<b>Master Agreement Type</b> (field 2.09)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>The list of MAT codes needs updating and expanding.</li> <li>Code CSDA should be removed.</li> <li>Rules need to be provided as to how parties should construct 4-letter codes for unlisted indices, rather than allow unstructured use of the 25-character free text.</li> </ul>
<b>B2.3</b>	<b>Minimum Notice Period</b> (field 2.16)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>This field should be limited to evergreens and extendibles, that is, repos with options that are not for present termination.</li> <li>If this field is limited to evergreens and extendibles, it should be redefined in terms of calendar days.</li> <li>Allow field 2.16 to be reported in months and years.</li> </ul>
<b>B2.4</b>	<b>DBV Indicator</b> (field 2.19)	<b>Theme: removing or amending dysfunctional or redundant fields</b> <ul style="list-style-type: none"> <li>Remove field 2.19 and require use of DBV to be reported in field 1.14 along with other tri-party services.</li> <li>If this field is retained, it should cease to be a matching field, given that field 1.14 (Tri-party Agent) is not. And it should be made clear whether both fields 1.14 and 2.19 should be populated in the case of sterling tri-party repo.</li> </ul>
<b>B2.5</b>	<b>Day count convention</b> (field 2.24)	<b>Theme: removing or amending dysfunctional or redundant fields</b> This field should be removed.
<b>B2.6</b>	<b>Floating Rate</b> (field 2.25)	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>The list of codes needs revising to include only money market indices and to add missing but widely-used indices.</li> <li>Rules need to be provided as to how parties should construct 4-letter codes for unlisted indices, rather than allow unstructured use of the 25-character free text.</li> </ul>
<b>B2.7</b>	<b>Spread</b> (field 2.32)	<b>Theme: adding or amending fields to reflect market reality</b> Decimal places should be allowed in field 2.32.
<b>B2.8</b>	<b>Principal Amount Currency</b> (field 2.39)	<b>Theme: adding or amending fields to reflect market reality</b> The list of ISO codes needs to be supplemented for use under SFTR or officially amended.
<b>B2.9</b>	<b>Price Currency</b> (field 2.50)	<b>Theme: adding or amending fields to reflect market reality</b> If buy/sell-backs are to continue to be separately reported using this field, field 2.50 should be mandatory.
<b>B2.10</b>	<b>Identification of a Security Used as Collateral</b> (field 2.78)	<b>Theme: adding or amending fields to reflect market reality</b> Allow letters of credit to be reported as collateral.
<b>B2.11</b>	<b>Identification of a Security Used as Collateral</b> (field 2.78)	<b>Theme: adding or amending fields to reflect market reality</b> CUSIPs should be accepted in place of ISINs for US securities without an ISIN, using a conversion of the 9-character CUSIPs into 12-character ISIN-like code for SFTR reporting by adding the ISO country code US as a prefix and a standard check digit (calculated using the ISO convention) as a suffix.
<b>B2.12</b>	<b>Maturity Date of the Security</b> (field 2.91)	<b>Theme: removing or amending dysfunctional or redundant fields</b> This field should be removed, given that it can be established from the ISIN.
<b>B2.13</b>	<b>Jurisdiction of Issuer</b>	<b>Theme: removing or amending dysfunctional or redundant fields</b>

	(field 2.92)	This field should be removed, given that it can be established from the ISIN. If field 2.92 is retained, the relationship with field 2.93 (if that is also retained) should be clarified.
<b>B2.14</b>	<b>LEI of the Issuer</b> (field 2.93)	<b>Theme: adding or amending fields to reflect market reality</b> This field should be removed, given that it can be established from the ISIN. If field 2.93 is retained, the relationship with field 2.92 (if that is also retained) should be clarified.
<b>B2.15</b>	<b>CCP-cleared repos</b>	<b>Theme: improving published SFTR data</b> Adjust the aggregation of CCP-cleared SFTs so that only two novated transactions are reported in public data.
<b>B2.16</b>	<b>prior repos</b>	<b>Theme: amending reporting rules</b> The concept of the prior repo is flawed and introduces complexity and potential confusion into reporting, as well unnecessary additional reporting steps (termination and replacement). The concept of a prior repo and the RTN should therefore be abandoned, especially where repos are executed on condition that they will be registered by a CPP.
<b>B2.17</b>	<b>MODI</b>	<b>Theme: amending reporting rules</b> It should be possible to submit MODI reports in advance of the Event Date. This might be done through the use of an “effective date”.
<b>B2.18</b>	<b>resizing repo</b>	<b>Theme: adding or amending fields to reflect market reality</b> <ul style="list-style-type: none"> <li>Change field 2.37 to Principal Amount Outstanding to allow re-sizing to be reported directly.</li> </ul>

## Proposed Level 3 issues for SFTR Refit

### A. Key issues

	issues	proposals
A3.1	failed settlement	<b>Theme: reporting obligation</b> <ul style="list-style-type: none"> <li>Fails should not be reported under SFTR, given that delivery failures are monitored under CSDR.</li> <li>Alternatively, an express method of reporting fails is required, such as a specific Action Type. In this case, the deadline for reporting should be extended or removed to make the reporting of fails practicable (see issue A3.10 below).</li> </ul>
A3.2	Event Dates (field 2.03)	<b>Theme: definitions</b> <ul style="list-style-type: none"> <li>At a minimum, ESMA should re-align the reporting of collateral re-use with that for collateral and margin updates, so that all collateral balances are reported on the more practicable basis of <u>expected</u> settlement.</li> <li>It would be preferable for ESMA to abandon the calculation of re-use by reporting parties and instead calculate re-use directly from the transaction data provided under SFTR, which details how much of each issue has been received through SFTs and how of the same issues have been re-used in other SFTs.</li> </ul>
A3.3a	Collateralization of Net Exposure (field 2.73)	<b>Theme: adding or amending fields to reflect market reality</b> <p>It would be more useful to be able to distinguish between repos that are collateralised at transaction level from those collateralised at a portfolio level, regardless of whether variation margin is on a transaction or portfolio basis. ESMA should therefore abolish the requirement to report 2.73 = TRUE just because variation margin is against net exposure. 2.73 = TRUE should only be reported where collateralisation of a net exposure is the actual contractual situation for initial or substituted collateral. COLU reports for single variation margins on portfolios should still be sent with 2.73 = TRUE.</p>
A3.3b	Branch of the Reporting Counterparty & Branch of the Other Counterparty (fields 1.07 & 1.08)	<b>Theme: reporting obligation</b> <p>ESMA should confirm their guidance in section 4.6.2 of the Guidelines of 2020, which accurately reflects the location of exposures, and remove conflicting guidance.</p>
A3.3c	Other Counterparty (field 1.11)	<b>Theme: reporting obligation</b> <p>MODIs and COLUs should not require LEI to be current, provided a valid LEI was given in the NEWT report.</p>
A3.5a	Price Per Unit & Collateral Market Value (fields 2.87 & 2.88)	<b>Theme: reconciliation</b> <ul style="list-style-type: none"> <li>ESMA's requirement that firms should agree on prices and values in COLU reports and, where such agreed prices differ from internal firm-wide revaluation prices, "correct" their internal prices ignores legitimate differences in internal prices. It also assumes an impossible simultaneous multilateral consensus can be achieved each day across the market.</li> <li>Matching tolerances should be significantly widened to allow parties to use their own firm-wide revaluation prices.</li> <li>In order to more accurately reflect their exposures, parties should be free to source their own exchange rates rather than take them from the ECB.</li> </ul>



<b>A3.5b</b>	<b>Jurisdiction of the Issuer &amp; LEI of the issuer</b> (fields 2.92 & 2.93)	<b>Theme: definitions</b> <ul style="list-style-type: none"> <li>The definitions of fields 2.92 and 2.93 need to be made consistent, where possible, and reporting explained for all combinations of the locations of head offices and registered offices.</li> <li>Where there is a registered office in the country of the ultimate parent of an issuer, the country of the LEI reported in field 2.93 should be the one identified in field 2.92.</li> <li>Where the registered office is outside the country of the ultimate parent, the ultimate parent should be reported in field 2.93, because this is where the credit risk of collateral ultimately lies.</li> </ul>
<b>A3.7</b>	<b>auto-collateralization</b>	<b>Theme: definitions</b> <ul style="list-style-type: none"> <li>ESMA should exclude all auto-collateralization transactions or, given that the involvement of ESCB central banks was the justification for the exemption of T2S, it should exclude auto-collateralization by all central banks, not just members of the ESCB.</li> <li>ESMA should clarify whether both limbs of central bank auto-collateralizations (central bank to payment bank and payment bank to client) are excluded from reporting.</li> <li>If auto-collateralization is excluded from SFTR, it should not have to be reported under MiFIR.</li> </ul>
<b>A3.8</b>	<b>asynchronous COLU reports</b>	<b>Theme: reconciliation</b> COLU reports need to be assimilated by trade repositories using Event Date.
<b>A3.9</b>	<b>asynchronous NEWT reports</b>	<b>Theme: reconciliation</b> COLU reports need to be assimilated by trade repositories using Event Date.
<b>A3.10</b>	<b>back-dated reporting</b>	<b>Theme: reconciliation</b> <ul style="list-style-type: none"> <li>Trade repositories should no longer be required to ingest reports into Trade State Reports in chronological order, and the Event-Date-plus-one deadline for reporting should be abolished, to allow retrospective (back-dated) updating of Trade State Reports.</li> <li>However, should it be required that reports subsequent to the historic report being corrected should also be corrected, this should be achieved at the trade repositories by means of an automated process of correction in order to avoid the risk of current reporting being disrupted by a sudden and substantial diversion of resources.</li> </ul>
<b>A3.11</b>	<b>deadline for corrections and updates</b>	<b>Theme: reconciliation</b> Retrospective (back-dated) amendment of the Maturity Date in Trade State Reports should be permitted.

## B. Other issues

<b>B3.1</b>	<b>“pledged repo”</b>	<b>Theme: definitions</b> Repo --- both REPO and SBSC --- should always be reported with field 2.20 = TTCA. ESMA should reverse its decision to include secured loans in repos and respect the definition in SFTR
<b>B3.2</b>	<b>RTN</b> (field 2.02)	<b>Theme: adding or amending fields to reflect market reality</b>



		ESMA should clarify which rule is to be followed when reporting. The Validation Rules are simplest and are therefore to be preferred.
<b>B3.3</b>	<b>Minimum Notice Period</b> (field 2.16)	<b>Theme: adding or amending fields to reflect market reality</b> ESMA is asked to confirm that the notice period for an extendible repo is the interval between the effective notice date and the extended maturity date.
<b>B3.4</b>	<b>Collateral Basket Identifier</b> (field 2.96)	<b>Theme: adding or amending fields to reflect market reality</b> Field 2.96 should be made repeatable.
<b>B3.5</b>	<b>Portfolio Code</b> (field 2.97)	<b>Theme: adding or amending fields to reflect market reality</b> As there is no good reason for insisting on 52 characters precisely, the format of this field should be re-specified across all rules to allow “up to 52 characters”, which will allow use of EMIR codes where required.
<b>B3.6</b>	<b>correcting COLU reports with CORR reports</b>	<b>Theme: adding or amending fields to reflect market reality</b> The cardinality of fields 1.9 (Counterparty Side) and 2.1 (UTI) should become conditional on 2.73 (Collateralization of Net Exposure) = FALSE where the rule for field 2.73 is changed back to indicating net exposure collateralization at transaction level rather than per master agreement.