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European Parliament adopts the Regulation on Transparency of Securities Financing Transactions - known as SFTR
Regulatory News Alert

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The European Commission welcomes the adoption by the European Parliament of the Regulation on Transparency of Securities Financing Transactions (known as SFTR).

What is Securities Financing Transactions Regulation (SFTR)?

More transparency and less risk

The requirements under the Regulation of the European Parliament and of the Council on reporting and transparency of securities financing transactions (SFTR) are in line with the requirements under the European Markets and Infrastructure Regulation (EMIR) and those coming under the Markets in Financial Investments Regulation (MiFIR).

The purpose of the new regulation is

- to cover all forms of lending, borrowing and re-use of securities in the EU,
- to enhance transparency and
- to improve the package of regulations in the shadow-banking sector.

The new rules requires firms to report their securities financing transactions (SFTs) to an approved European trade repository.

Who will be affected?

The SFTR will apply to a counterparty to a SFT including management companies of undertakings for collective investment in transferable securities ("UCITS"), managers of alternative investment funds ("AIFMs") and counterparty engaging in rehypothecation.

What are the major impacts that matter?

- The reporting of securities financing transactions (SFTs) to trade repositories must be done no later than the working day following the conclusion, modification or termination of the transaction. This applies to new SFTs and those that are outstanding when the reporting obligation comes into force.

- Counterparties must also keep a record of any SFT concluded, modified or terminated for at least five years following the termination of the transaction.

- UCITS Management Companies and AIFMs, must provide **disclosure to their investors** of their use of SFTs and their reuse of financial instruments
    - o in the pre-investment documentation (i.e. prospectus),
    - o in the annual and half-yearly financial statements
- SFTR introduces limitations to
    - o the cases in which counterparties are authorized to reuse financial instruments received as collateral
    - o the conditions that must be met in order to have the right to reuse financial instruments

Next Steps

Depending on the publication process in the Official Journal, the new regulations should apply according to the following schedule

- New disclosure in periodical reports and prospectus of UCITS and AIFs should be applicable by mid-2016 (6 months after the date of entry into force).

- Reporting obligation to trade repository and safeguarding in respect of SFTs should be applicable by mid-2017 (18 months after the date of entry into force).

How Deloitte can help you

The current (EMIR) and upcoming transaction reporting regulations (MiFIR / SFTR) are seen as catalysts for re-engineering the regulatory reporting processes. Indeed, these pre- and post-trade reporting requirements will be embedded in day-to-day operations. They will need to be properly supported by an efficient, reliable and scalable reporting architecture and IT infrastructure.

The design of the regulatory transaction reporting model should not be organized as a set of different reporting interfaces built around each regulation. It should be designed around your trade value and post-trade chain, extracting the data from spread systems and centrally consolidating it.

If you are looking for a smooth and efficient setup to ensure compliance with various reporting obligations than you might want to have the assistance in:

- Identification of regulatory reporting obligations (EMIR, REMIT, MiFIR, SFTR)

- Definition of reporting obligation strategy to maximize synergies of mutualisation of reporting obligations

- Identification of the required data sources and relevant pieces of information

- Integration of data flows into Deloitte Transaction Reporting Solutions to ensure a single point of data transfer

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