

Regulatory News Alert

Commission adopts package of rules to increase transparency in securities financing markets

20 December 2018

Context and objectives

In an important step towards increasing the transparency of securities financing markets, **on 13 December**, the European Commission (EC) adopted a package of **new measures under the Securities Financing Transactions Regulation (SFTR)**.

The SFTR, among other things, requires all securities financing transactions (REPO, Reverse REPO, Securities lending...) to be **reported to a central database called "trade repository"**. This compulsory reporting will lead to an improved surveillance of significant market developments, such as the build-up of leverage in the financial system.

SFTR Level II measures

The delegated regulation includes:

- RTS specifying the details of the application for registration as a trade repository; regulation on access to the data held in trade repositories
- RTS specifying the details of securities financing transactions (SFTs) to be reported to trade repositories; regulation on fees charged by European Securities and Markets Authority (ESMA) to trade repositories
- RTS on the collection, verification, aggregation, comparison and publication of data on SFTs by trade repositories
- RTS on the details of the application for registration and extension of registration as a trade repository
- RTS on access to details of SFTs held in trade repositories

Compliance with the SFTR reporting requirements will present a number of operational and data challenges, so firms should begin testing and adopting reporting solutions for SFTs as soon as possible.

Next steps

The delegated and implementing acts are now submitted to the European Parliament and Council for scrutiny. At the end of the scrutiny period, the acts will jointly be published in the Official Journal and will enter into force on the twentieth day following that of their publication.

Once in force, SFTR reporting requirements will apply at various dates, depending on the type of financial counterparty involved. Credit institutions and investment firms will be required to comply with the reporting requirements **within 12 months for CCPs (Central Counterparties) and Central Securities Depositories (CSDs) have 15 months, all other financial institutions** including: Pension Funds, Insurance/Reinsurance Companies, AIFs and UCITs; have **18 months** and Non-Financial Counterparties have 21 months.

On this basis, **credit institutions and investment firms can expect a commencement of the reporting requirements as of the end of first quarter of 2020** with the others to follow in three month increments.

How Deloitte can help you?

Deloitte's advisory specialists and dedicated services will help you design and implement your business strategy in light of future evolutions of the regulatory framework and market trends.

Deloitte can also help you with its RegWatch Kaleidoscope service to stay ahead of the regulatory curve and to better manage and plan upcoming regulations.

Our Deloitte Transaction Regulatory Reporting Solutions also support institutions in their day-to-day obligations in the context of SFTR as well as EMIR and MiFiR reporting.

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