Regulatory News Alert

SFTR: final transparency rules, time to move to implementation

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Context and objectives

The Securities Financing Transactions Regulation (SFTR), among other things, requires all securities financing transactions (REPO, Reverse REPO, Securities lending, etc.) 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.

With the objective of increasing the transparency of securities financing markets last December, the European Commission (EC) adopted a package of new measures under the SFTR.

Today, these regulations were published in the Official Journal of the EU, therefore, the exact date for the application of the reporting requirements is now set and financial counterparties may rely on definite timelines that should be respected in order to comply with SFTR reporting standards.

After European Market Infrastructure Regulation (EMIR) and Markets in Financial Instruments Regulation (MiFIR), the SFTR is finalizing the trilogy and therefore completes the transaction reporting ecosystem with possibilities for data mutualization.

SFTR Level II measures

The package of delegated and implementing regulations 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
- ITS on the format and frequency of reports on the details of SFTs to trade repositories
- ITS on the format of applications for registration and extension of registration of trade repositories
- ITS on procedures and forms for exchange of information on sanctions, measures and investigations

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 regulations will enter into force on the twentieth day following that of their publication, i.e. on 11 April 2019.

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 Central Counterparties (CCPs) and 15 months for Central Securities Depositories (CSDs), while all other financial institutions, including Pension Funds, Insurance/Reinsurance Companies, AIFs and UCITs, will have 18 months to comply. Non-Financial Counterparties will have 21 months.

How can Deloitte 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's RegWatch Kaleidoscope service can help you to stay ahead of the regulatory curve and to better manage and plan for 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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