esma European Securities and
Markets Authority

Reply form for the
SFTR Discussion Report

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA SFTR Discussion Report, published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);

- do not remove the tags of type <ESMA_ QUESTION_SFTR_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and

- if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses are most helpful:

- if they respond to the question stated;

- contain a clear rationale, including on any related costs and benefits; and

- describe any alternatives that ESMA should consider

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_SFTR_NAMEOFCOMPANY_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA_SFTR_XXXX_REPLYFORM or

ESMA_SFTR_XXXX_ANNEX1

Deadline

Responses must reach us by 22 April 2016**.**

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that 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 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 under the headings 'Legal notice' and 'Data protection'.

Introduction

Please make your introductory comments below, if any:
< ESMA_COMMENT_SFTR_1>
London Stock Exchange Group ("LSEG" or "the Group") is a diversified international market infrastructure and capital markets business sitting at the heart of the world's financial community. The Group can trace its history back to 1698.

The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, Europe's leading fixed income market; and Turquoise, a pan-European equities MTF.

Post trade and risk management services are a significant part of the Group's business operations. In addition to holding majority ownership of multi-asset global CCP operator, LCH, LSEG operates CC&G, the Italian clearing house; Monte Titoli, the T2S-ready European settlement business; and globeSettle, the Group's newly established CSD based in Luxembourg.

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

LSEG welcomes the opportunity to comment on the draft regulatory technical standards ("RTS") and implementing technical standards ("ITS") under Regulation (EU) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse and amending Regulation 648/2012 ("SFTR").

The Group fully supports the SFTR's goal to enhance the transparency of securities financing markets. We believe that a robust and proportionate reporting framework is essential to achieving this goal.

In addition to our answers below, we would like to raise some general comments to ESMA's attention:

- **Harmonisation of reporting requirements**
  LSEG welcomes ESMA's approach to harmonise, to the extent possible, the proposed technical standards under SFTR with those adopted pursuant to Article 9 of the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"), in order to minimise additional operational costs for market participants and leverage pre-existing infrastructure. However, we would like to highlight that this approach may not be appropriate in all cases. The specificities of securities financing transactions ("SFTs") should be taken into account when defining the reporting requirements, for instance with regards to clearing scenarios, position aggregation and settlement netting, as further described in our answers below.

- **Proportionate reporting**
  We believe that due consideration should be given to ensuring that reporting obligations are proportionate. We are concerned that the proposed reporting framework which encompasses transactions, lifecycle events, collateral (including value and substitutions), and settlement details will result in a significant amount of data that may not be practically reported. Together with the difficulties of linking all these elements together, the reported data may be difficult to interpret both for market participants and regulators, and may not proportionately contribute to the transparency objective of the SFTR.

- **Implementation costs**
  While it is difficult to provide a precise estimate at this stage, we expect that the implementation of SFTR reporting, as currently contemplated, will result in a considerable amount of data that may not be practically reported and will represent a significant cost for all market participants. We believe that a simplification of the reporting process will support the European Commission's aim of

increasing transparency and monitoring the systemic risk associated with SFTs. We consider that focusing on key data elements will help to reduce the costs and the implementation efforts for market participants. Moreover, we trust that this proposed approach would lead to improvements in data quality and provide increased benefits for the regulators and the securities financing markets as a whole.

- **Collateral reporting**
  In light of high level of granularity and amount of information concerning collateral to be allocated to SFT trades that is set out by ESMA in the discussion paper, we would welcome clarification from ESMA as to whether the collateral disclosure requirements refer to the securities which are being exchanged against cash in accordance with the contractual terms of the SFT or rather the margin to be posted to the CCP to cover the counterparty risk exposure of the SFT counterparty. As further explained in our response below, if the collateral disclosure requirement applies to margin, this may be troublesome for CCPs to report on a trade-by-trade basis due to the complexities of a CCP's internal netting models for the calling of margins. We would therefore welcome a clarification by ESMA regarding the collateral to be disclosed in case of cleared SFTs.

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LSEG identification number in the Transparency register: 550494915045-08

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< ESMA_COMMENT_SFTR_1>

Q1.   Are these amendments to the provisions included in EMIR RTS 150/2013 sufficient to strengthen the registration framework of TRs under SFTR? If not, what additional provisions should be envisaged? What are the cost implications of the establishment of the provisions referred to in paragraphs 41-53? What are the benefits of the establishment of the provisions referred to in paragraphs 41-53? Please elaborate.

<ESMA_QUESTION_SFTR_1>

We are concerned that the inclusion of the proposed amendments are contrary to the aims of a simplified registration process for existing TRs detailed in the background to ESMA's discussion paper. Whilst we support many of the amendments and believe that they are sensible measures to strengthen the registration framework, we are most concerned by the requirement described in paragraph 46 for 'operational separation' of the activities under SFTR and those under EMIR. We do not believe that this requirement supports the stated objective under Recital 10 to minimise additional operational costs for market participants. From UnaVista's perspective, as an EMIR-authorised TR, we would seek to take advantage of operational synergies and we believe this would be to the benefits of the whole industry. However, the requirements for the TR to have separate procedures, people and systems to support the services provided under SFTR appears to be unnecessary and introduces a significant duplication of costs (which would need to be passed on the industry and thereby would increase the costs of reporting for market participants). Such requirement also appears to introduce unnecessary risk as the experience of key personnel cannot be easily replicated and will take time. In our view, requiring complete operational separation of procedures, people and systems for SFTR purposes would likely double a TR's expected operational costs.

<ESMA_QUESTION_SFTR_1>

Q2.   Are these procedures sufficient to ensure the completeness and correctness of the data reported under Article 4(1) SFTR? If not, what additional provisions should be envisaged?

<ESMA_QUESTION_SFTR_2>

We support the additional proposed measures and believe that they will help ensure the quality of data reported to the TRs.

We note that the reconciliation of data across TRs is dependent upon the co-operation of all the TRs and we would therefore encourage additional involvement of ESMA in this process.

We would also encourage additional commitment by regulatory authorities to help address quality issues in reported data that is discovered by the TRs, as the TRs themselves have little authority to mandate participants to make corrections to their submitted reports.

<ESMA_QUESTION_SFTR_2>

Q3.   What are the cost implications of the establishment of the provisions referred to in paragraph 56 to ensure the completeness and correctness of the data reported under Article 4(1) SFTR? Please elaborate and provide quantitative information to justify the cost implications.

<ESMA_QUESTION_SFTR_3>

UnaVista already provides this feedback to the reporting counterparties. We strongly support this additional provision as we believe the analysis of submitted reports should be part of the reporting firms' systems and controls. Since this is part of our existing TR solution, we do not envisage any significant cost implication arising from extending it to SFTR.

<ESMA_QUESTION_SFTR_3>

Q4.   Are these additional procedures sufficient to strengthen the registration framework of TRs under SFTR? If not, what additional provisions should be envisaged?

<ESMA_QUESTION_SFTR_4>

From a TR perspective, we believe that these measures will be sufficient to strengthen the registration framework. However, we note that the requirement for portability will be dependent upon the co-operation of other TRs and it will be difficult for an individual TR to design a fully robust procedure for the transfer of data to other TRs in the event of a withdrawal of registration by itself. TRs will therefore need to work together to achieve this objective.

<ESMA_QUESTION_SFTR_4>

Q5.   What are the cost implications of the establishment of the provisions referred to in paragraphs 58-65?

<ESMA_QUESTION_SFTR_5>

The cost implications have the potential to be considerable, but this will ultimately depend upon the technical standards developed for: (i) the regulatory data held in TRs; (ii) the requirements for operational separation of SFTR procedures, people and systems; (iii) requirements to employ senior Information Technology professional, as suggested in paragraph 59, and (iii) the level of fees levied on TRs, as mentioned in paragraph 63.

<ESMA_QUESTION_SFTR_5>

Q6.   What are the benefits of the establishment of the provisions referred to in paragraphs 58-65? Please elaborate.

<ESMA_QUESTION_SFTR_6>

Whilst we see clear benefits to most of these provisions, we reiterate our concern on what benefits will be achieved by introducing a requirement to employ a senior Information Technology professional for the TR, if operational separation from the EMIR TR function is already required.

<ESMA_QUESTION_SFTR_6>

Q7.   Do you agree with the information that should not be provided in the case of extension of registration? Please elaborate.

<ESMA_QUESTION_SFTR_7>

Yes, we believe this exclusion is sensible.

<ESMA_QUESTION_SFTR_7>

Q8.   Are there additional provisions that should be removed / included? Please elaborate.

<ESMA_QUESTION_SFTR_8>

No, we do not have any suggestions as to additional provisions that should be removed or included.

<ESMA_QUESTION_SFTR_8>

Q9.   What are the benefits of providing less documentation? Please elaborate.

<ESMA_QUESTION_SFTR_9>

We believe that providing less documentation will help to eliminate duplicative work and reduce the onerous obligation of ESMA to review documentation it has already seen before and approved. We hope that providing less documentation will allow ESMA to work more efficiently and may allow it to reduce the fees charged to the TRs, thereby helping to reduce the costs of reporting to participants.

<ESMA_QUESTION_SFTR_9>

Q10.   Do you agree with the proposed format of the application for registration and the application for extension of registration? If not, do you consider that the format of the application for extension of registration should be different? What are the costs and benefits of the proposed approach? Please elaborate.

<ESMA_QUESTION_SFTR_10>

Yes, this is a very practical approach.

<ESMA_QUESTION_SFTR_10>

Q11.   Do you agree with the proposed technical format, ISO 20022, as the format for reporting? If not, what other reporting format you would propose and what would be the benefits of the alternative approach?

<ESMA_QUESTION_SFTR_11>

We support the adoption of the ISO 20022 format for the TRs to send data to regulatory bodies. We agree that this schema is appropriate and we see the advantages of a harmonised approach across reporting regimes.

However, we do not believe that submitting firms must themselves adopt the ISO 20022 format. Indeed, it is easy for TRs to transform data from other formats, such as csv and xLS, to the ISO 20022 format and firms are able to easily adhere to the suggested field population standards described in the ISO 20022 specification. Requesting firms to report in the ISO 20022 format will be unnecessarily costly for them, particularly for smaller firms, and the benefits that this will bring remain unclear.
<ESMA_QUESTION_SFTR_11>

Q12.   How would the proposed format comply with the governance requirements in paragraph 75? Please elaborate.
<ESMA_QUESTION_SFTR_12>
We believe ISO 20022 is completely consistent with the governance requirements described in paragraph 75.
<ESMA_QUESTION_SFTR_12>

Q13.   Do you foresee any difficulties related to reporting using an ISO 20022 technical format that uses XML? If yes, please elaborate.
<ESMA_QUESTION_SFTR_13>
From the TR point of view, we do not see any difficulties in using this format for regulatory access. For example the TRACE project already requires TRs to use the ISO 20022 format. However, we are aware that firms are concerned about this. As per our argument in Q11, we believe that prescribing the use of the ISO 20022 format by firms is unnecessary and will be disproportionately onerous for them.
<ESMA_QUESTION_SFTR_13>

Q14.   Do you foresee issues in identifying the counterparties of an SFT trade following the above-mentioned definitions?
<ESMA_QUESTION_SFTR_14>
It is important to point out, as a general comment, that UnaVista's experience under EMIR has proven that some firms do not always understand the terminology in the legislation or the subsequent Q&As. It is therefore important that the counterparties to an SFT trade are defined as clearly as possible. Please see our answer to Q15 below in this regard.

In respect of paragraph 98 of the discussion paper, which sets out the definition of a central counterparty (CCP), for completeness, we would suggest to include that there will also be (reportable) transactions when a CCP engages in SFTs as principal as part of its treasury management functions. ESMA makes explicit reference to this activity in paragraph 216 of the discussion paper, but we believe that it would be useful to clarify this element here.
<ESMA_QUESTION_SFTR_14>

Q15.   Are there cases for which these definitions leave room for interpretation? Please elaborate.
<ESMA_QUESTION_SFTR_15>
We would like to highlight the situation where a single legal entity falls within two categories of entity listed in the "financial counterparty" definition. For instance, this could be the case for a CCP which is also registered as a credit institution, as required under the laws of certain jurisdictions (e.g. France). Under the current definitions, such scenario can create uncertainty as to which category should be used for the purpose of applying certain provisions under SFTR.

We therefore recommend that the technical standards clarify that where a legal entity falls within two different categories under the definition of "financial counterparty" in Article 3 SFTR, then the primary activity of the entity should be used. This logic would also apply for the purposes of Article 33(2)(a) SFTR, which sets out the dates for entry into force of the reporting obligation. Using our previous example, the legal entity would be classified as a CCP, and the reporting obligation for all its SFT-related activities (both cleared transactions and those engaged into as principal as part of its treasury management functions) would apply 15 months after the date of entry into force of the relevant delegated act of the European Commission.

In addition, we believe that there may be some confusion for market participants in distinguishing between the categories of 'execution broker' and 'clearer'. Some execution brokers (that do not clear the transaction themselves, but 'give up' the trade to a different entity for clearing purposes) consider themselves 'principal' to the transaction and it is possible that the 'clearing only' entity does not. We would recommend that ESMA considers this issue and seeks to clarify the position in the RTS.
<ESMA_QUESTION_SFTR_15>

Q16.   Is it possible to report comprehensive information at transaction level for all types of SFTs and irrespective of whether they are cleared or not?
<ESMA_QUESTION_SFTR_16>
Overall, we believe that the proposed fields allow for a comprehensive report of SFTs at transaction level. However, we do have some concerns about specific data elements set out in Q19 below and the "CSD", and "Place of settlement" fields as further discussed under Q121-124.
<ESMA_QUESTION_SFTR_16>

Q17.   Is there any need to establish complementary position-level reporting for SFTs? If yes, should we consider it for particular types of SFTs, such as repo, or for all types?
<ESMA_QUESTION_SFTR_17>
In general, in respect of cleared SFTs, we believe that ESMA, in determining whether to establish complementary position level reporting, should take into account the different rules in place for CCPs concerning the moment of entry of transfer orders into the respective systems as well as the different position models of positions.

We do not believe that there is a need for additional position-level reporting for SFTs, especially in a clearing context. Indeed, for some CCPs, position netting for clearing is not performed at transaction level; cleared SFTs are maintained on a gross basis and netting is performed for settlements, where the settlement obligations of multiple fungible SFTs are netted against each other.
<ESMA_QUESTION_SFTR_17>

Q18.   Is there any need to differentiate between transaction-level data and position-level data on loans from financial stability perspective? Please elaborate.
<ESMA_QUESTION_SFTR_18>
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<ESMA_QUESTION_SFTR_18>

Q19.   Would the data elements included in section 6.1 be sufficient to support reporting of transactions and positions?
<ESMA_QUESTION_SFTR_19>
We believe that the data elements included in section 6.1 are more than sufficient to support the reporting of transactions and, as explained in our answer to Q17 above, we do not believe that there is a need for additional position-level reporting for SFTs. In fact, and as mentioned in our response to Q24, we would encourage ESMA to consider whether it needs all of the data elements listed for its purposes as we believe that due consideration should be given to ensuring that reporting obligations are proportionate. As currently formulated, the reporting of all data elements in section 6.1 will result in a significant amount of data that may not be practically reported, and that we believe may not proportionately contribute to the meeting of the transparency objectives of the SFTR.

Specific comments on individual data elements in section 6.1:

Table 1 Counterparty Data

- **Row 6 "Country of the branch of the other counterparty" –** for cleared transactions, a CCP does not currently have access to this data. We therefore recommend that this field should not be mandatory for cleared transactions.

- **Row 9 "Other counterparty"** – for cleared transactions, a CCP does not currently receive data on the LEI of the other counterparty or client code. We therefore recommend that this field should not be mandatory for cleared transactions.
- **Row 14 "CSD"** – for cleared transactions, the CSD reported at registration of a trade may be different to the CSD at which settlement actually takes place. This is because for cleared SFTs, some collateral may settle in different CSDs, and the actual place of settlement is only known on the settlement date. Therefore the risk of requiring counterparties to report this data at trade registration is that such reported data may later prove to be incorrect on the settlement date. Please see our answer to Q122 for further information. As a separate comment, we recommend that ESMA clarify that this field should also include ICSDs.

Table 2 Transaction data

- **Row 7 "Method of trading"** – for cleared transactions, currently, some CCPs are unable to differentiate bilateral transactions executed on "automated trading systems" from those executed on "automatic trading systems". We therefore recommend that this field be should not be mandatory for cleared transactions.
- **Row 9 "Place of settlement"** – for cleared transactions, a CCP does not currently have access to the LEI data of the CSD where the settlement is agreed to take place, although we appreciate that such information will likely be publically available soon for all CSDs authorised under CSDR[1]. Please also see our answer to Q122 which explains that the actual place of settlement is only known on the settlement date so there is a risk that the reported data may prove to be incorrect. We therefore recommend that this field should not be mandatory for cleared transactions or that this data may be reported at end-of-day on the settlement date. In this regard, please also see our response to Row 14 in Table 1 above.
- **Row 10 "Master agreement type"** – for OTC cleared SFTs, a CCP does not currently have access to this data. For SFTs executed on a trading venue, we believe this field will not be relevant at all, since the contractual terms of such SFTs are defined by the trading venue itself, and governed by the CCP rules if subsequently cleared. In both cases we therefore recommend that this field should not be mandatory.
- **Row 11 "Applicable annexes to the master agreement"** – for OTC cleared SFTs, a CCP does not currently have access to this data. For SFTs executed on a trading venue, we believe this field will not be relevant at all, since the contractual terms of such SFTs are defined by the trading venue itself, and governed by the CCP rules if subsequently cleared. In both cases, we therefore recommend that this field should not be mandatory.
- **Row 12 "Master Agreement type"** for OTC cleared SFTs, a CCP does not currently have access to this data. For SFTs executed on a trading venue, we believe this field will not be relevant at all, since the contractual terms of such SFTs are defined by the trading venue itself, and governed by the CCP rules if subsequently cleared. In both cases, we therefore recommend that this field should not be mandatory.
- **Row 29 "Floating rate reference period - multiplier"** - For this field, we understand that we should report the frequency of the rate reset used on the relevant trade, but we would welcome ESMA's confirmation that our understanding is correct.

Table 3 Collateral data

- **Row 10 "Collateral market value"** – for cleared transactions, reporting the "fair value of the individual collateral component" would entail significant operational and cost implications because a CCP does not calculate the collateral market value on a daily basis in this manner. A CCP would be able to report the collateral value it calculates using its own internal valuation methodologies but to impose a standard algorithm to be used in CCP calculations would impose a high burden

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[1] **Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012**

on CCPs. We therefore recommend that this field should not be mandatory for cleared transactions. However, if such requirement is maintained, we believe that a CCP should be permitted to report the collateral market value in accordance with its own valuation methods.

- **Row 11 "Haircut or margin" –** for cleared transactions, a CCP does not usually charge collateral haircuts and therefore the value reported would often be zero. To avoid confusion, we recommend that ESMA renames this field "haircut" because the detail to be reported for this field is the collateral haircut only, not "margin". In fact, it would not make sense to require counterparties to report "margin" at the individual trade level because margin is calculated on a portfolio basis.

<ESMA_QUESTION_SFTR_19>

Q20. Would the data elements differ between position-level data and transaction-level data? If so, which ones?

<ESMA_QUESTION_SFTR_20>
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Q21. Would the proposed approach for collateral reporting in section 4.3.5 be sufficient to accurately report collateral data of SFT positions? Please elaborate.

<ESMA_QUESTION_SFTR_21>
We think that the proposed fields for collateral reporting are appropriate. However, we have concerns about some aspects of the processes described under section 4.3.5, more specifically around the complexity of reporting in the case of many-to-many relationships between SFTs and collateral, the availability of collateral allocation by T+1, and the requirement to provide daily updates of collateral substitutions and collateral value. We provide further information in our responses to Q23, Q72, Q82 and Q90-95 in this discussion paper.
<ESMA_QUESTION_SFTR_21>

Q22. From reporting perspective, do you foresee any significant benefits or drawbacks in keeping consistency with EMIR, i.e. applying Approach A? What are the expected costs and benefits from adopting a different approach on reporting of lifecycle events under SFTR with respect to EMIR? Please provide a justification in terms of cost, implementation effort and operational efficiency. Please provide concrete examples.

<ESMA_QUESTION_SFTR_22>
We support ESMA's proposal of Approach B for the reporting of lifecycle events under SFTR. A combination of "event types" and "technical actions" are better suited for the reporting of SFTs, as they provide a more immediate identification of the type of transaction and the lifecycle event that has occurred.

We believe that the same level of accuracy cannot be achieved by applying Approach A. Moreover, while we support consistency with EMIR to the extent possible, we think that in this particular case, it would not provide significant benefits. Indeed, there are significant differences between SFTs and OTC/ETD products. We expect that most market participants record these transactions in different IT systems, and therefore will not be able to fully leverage the existing technical implementations in place for EMIR reporting.

In terms of the cost, implementation effort and operational efficiency of Approach B, please refer to our answer to Q24.
<ESMA_QUESTION_SFTR_22>

Q23. Do you agree with the proposed list of "Action Types"? If not, which action types should be included or excluded from the above list to better describe the SFT? Please elaborate.

<ESMA_QUESTION_SFTR_23>
As explained in Q22, we think that applying Approach B is more appropriate than applying Approach A. One of the reasons for this is that the list of suggested "Action Types" would result in a very large number of reports being produced on a daily basis. For example, "Re-pricing" and "Collateral update" action types occur for every cleared trade, every day, which would adversely impact operational efficiency and incur large cost and implementation efforts for counterparties.

<ESMA_QUESTION_SFTR_23>

Q24.   Do you foresee any benefits or drawbacks of implementing the proposed reporting logic of event
              types and technical actions (Approach B)? Please elaborate.
<ESMA_QUESTION_SFTR_24>
As per our comment under Q22, Approach B provides more accurate and granular information on events
impacting an SFT. However, we believe that due consideration should be given to ensuring that reporting
obligations are proportionate. Using Approach B, we are concerned that the proposed reporting framework
which encompasses transactions, lifecycle events, collateral (including value and substitutions), and
settlement details will result in a significant amount of data that may not practically be reported.

To simplify the reporting framework, we therefore recommend that ESMA simplify the key data elements it
requires to be reported. For example, it may be possible to reduce the amount of reportable "Technical
Actions" per "Event type". For example, because a "Modification" and "Adjustment" have the same func-
tion (as explained in paragraph 134 of the discussion paper) we do not think that they need to be listed as
separate technical actions and may instead be combined into one technical action.

We strongly believe that simplifying the reporting framework in this manner will be beneficial for both
market participants and regulators alike, as it will make providing and interpreting the data much more
manageable. We would be very happy to engage with ESMA and our regulators on these points to dis-
cuss a proportionate solution that would still meet the objectives of the SFTR.
<ESMA_QUESTION_SFTR_24>

Q25.   Do you agree with the proposed list of event types and technical actions? If not, which ones
              should be included or excluded?
<ESMA_QUESTION_SFTR_25>
We would suggest separate event types for collateral update and for cash lifecycle event, as it would
provide more clarity. Please also see our comments at Q24 above.
<ESMA_QUESTION_SFTR_25>

Q26.   Do you foresee any need to introduce a unique reference identifier for the lifecycle events or for
              technical actions? Please elaborate.
<ESMA_QUESTION_SFTR_26>
No, we do not think that this is necessary and it would add to the cost and complexity of implementing the
reporting framework. As mentioned in our answer to Q24, we support the simplification of the reporting
framework where appropriate.
<ESMA_QUESTION_SFTR_26>

Q27.   From reporting perspective, do you foresee any drawbacks in keeping consistency with EMIR? If
              so, please indicate which ones?
<ESMA_QUESTION_SFTR_27>
As mentioned in our answer to Q22, we believe Approach B is more suitable for SFT reporting, than
Approach A. In addition, we do not believe that adopting the EMIR approach will bring any significant cost
benefits as it is likely that some market participants record SFT transactions and OTC derivatives/ETD
transactions in different IT systems, and therefore will not be able to fully leverage the existing technical
implementations in place for EMIR reporting.
<ESMA_QUESTION_SFTR_27>

Q28.   Are the proposed rules for determination of buyer and seller sufficient? If not, in which scenarios
              it might not be clear what is the direction of the trade? Which rules can be proposed to
              accommodate for such scenarios?
<ESMA_QUESTION_SFTR_28>
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Q29. Are the proposed rules consistent with the existing market conventions for determination of buyer and seller? If not, please provide alternative proposals.
<ESMA_QUESTION_SFTR_29>
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<ESMA_QUESTION_SFTR_29>

Q30. Are you aware of any other bilateral repo trade scenario? With the exception of tri-party agents that are documented in section 4.2.5, are there any other actors missing which is not a broker or counterparty? Please elaborate.
<ESMA_QUESTION_SFTR_30>
We would like to clarify that bilateral repo trades may also be executed on trading platforms and not only under OTC circumstances. As better outlined in our answer to Q80, we would welcome further clarification on the role of the trading venue in the creation of UTIs or Reporting Tracking Numbers in the case of repo trades without central clearing.
<ESMA_QUESTION_SFTR_30>

Q31. Do you consider that the above scenarios also accurately capture the conclusion of buy/sell-back and sell/buy back trades? If not, what additional aspect should be included? Please elaborate.
<ESMA_QUESTION_SFTR_31>
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<ESMA_QUESTION_SFTR_31>

Q32. Do you agree with the description of the repo scenarios?
<ESMA_QUESTION_SFTR_32>
In a clearing context, we agree with Repo scenario 3. However, we do not believe that Repo scenario 4 and scenario 5 are representative of current or future market practice. These scenarios occur in respect of OTC derivatives transactions but not for repos.

We would welcome some clarifications in relation to paragraph 154 of the discussion paper, which states "*A broker or a tri-party agent could also be involved in the central clearing scenarios and, if so, should be reported as discussed in the prior scenarios*". We understand this to mean that the counterparties to the transaction would be responsible for reporting that a broker or a tri-party agent is involved in the central clearing scenarios (as the broker or tri-party agent would not be a counterparty themselves) but it would be useful to obtain clarification from ESMA on this point. If this is indeed ESMA's intention, we would like to direct ESMA's attention to our response at Q72 below, where we are supportive of the provision by tri-party agents of a delegated reporting service so that a CCP may have the option to delegate collateral data reporting to the relevant tri-party agent, where appropriate.
<ESMA_QUESTION_SFTR_32>

Q33. Are you aware of any other repo scenarios involving CCPs?
<ESMA_QUESTION_SFTR_33>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_33>

Q34. Are there any other scenarios that should be discussed? Please elaborate.
<ESMA_QUESTION_SFTR_34>
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<ESMA_QUESTION_SFTR_34>

Q35. Do you consider that the documented scenarios capture accurately the conclusion of buy/sell-back trades? If not, what additional aspects should be considered?
<ESMA_QUESTION_SFTR_35>
In our view, the scenarios do not adequately capture buy/sell-back and sell/buy back trades in a clearing context i.e. where the CCP is a party to such trades. To address this, we suggest that a scenario similar to "Repo scenario 3 - CCP interposing itself between the two counterparties that are clearing members" in paragraph 149 of the discussion paper is added to capture such trades.

Please also refer to our comments on this point in Q36.
<ESMA_QUESTION_SFTR_35>

Q36.   According to market practices, can buy/sell-back and sell/buy back trades involve a CCP?
<ESMA_QUESTION_SFTR_36>
Yes, buy/sell-back and sell/buy back trades can be cleared, in a similar fashion to repo trades. For example, LCH clears these trades for the Italian and Spanish markets. Please also see our response to Q35 above on this point.
<ESMA_QUESTION_SFTR_36>

Q37.   Are there any other actors missing which are not mentioned above, considering that tri-party agents are be covered in section 4.2.5? Please elaborate.
<ESMA_QUESTION_SFTR_37>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_37>

Q38.   Are there any differences in the parties involved according to the different agency lending models?
<ESMA_QUESTION_SFTR_38>
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<ESMA_QUESTION_SFTR_38>

Q39.   When would the both counterparties know the other's identity in an undisclosed lending agreement?
<ESMA_QUESTION_SFTR_39>
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<ESMA_QUESTION_SFTR_39>

Q40.   What other solution would you foresee for the reporting of trades involving the agent lender? Please elaborate.
<ESMA_QUESTION_SFTR_40>
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<ESMA_QUESTION_SFTR_40>

Q41.   Would an open offer clearing model possibly apply to securities lending too?
<ESMA_QUESTION_SFTR_41>
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<ESMA_QUESTION_SFTR_41>

Q42.   Would a broker be involved in addition to lending agent in such a transaction?
<ESMA_QUESTION_SFTR_42>
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<ESMA_QUESTION_SFTR_42>

Q43.   Would it be possible to link the 8 trade reports to constitute the "principal clearing model" picture? If yes, would the method for linking proposed in section 4.3.4 be suitable?
<ESMA_QUESTION_SFTR_43>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_43>

Q44.   In the case of securities lending transactions are there any other actors missing, considering that tri-party agents will be covered in section 4.2.5?
<ESMA_QUESTION_SFTR_44>
TYPE YOUR TEXT HERE

<ESMA_QUESTION_SFTR_44>

Q45.	What potential issues do reporting counterparties face regarding the reporting of the market value of the securities on loan or borrowed?
<ESMA_QUESTION_SFTR_45>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_45>

Q46.	Do such securities lending transactions exist in practice?
<ESMA_QUESTION_SFTR_46>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_46>

Q47.	Do you agree with the proposal to explicitly identify non-collateralised securities or commodities lending transactions in the reporting fields? Please elaborate.
<ESMA_QUESTION_SFTR_47>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_47>

Q48.	Would it be possible that an initially unsecured securities or commodities lending or borrowing transaction becomes collateralised at a later stage? Please provide concrete examples.
<ESMA_QUESTION_SFTR_48>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_48>

Q49.	Which of the scenarios described for securities lending (Section 4.2.4.2), repo and buy-sell back (Section 4.2.4.1) are currently applicable to commodities financing transactions? Please provide a short description of the commodity financing transactions that occur under each scenario and the involved actors.
<ESMA_QUESTION_SFTR_49>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_49>

Q50.	Are you aware of commodity financing transactions that would fall in the scope of the Regulation but are not covered in the scenarios described for securities lending (Section 4.2.4.2), repo and buy-sell back (Section 4.2.4.1)? If yes, please describe the general characteristics of such a transaction.
<ESMA_QUESTION_SFTR_50>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_50>

Q51.	Are the types of transactions recognised sufficiently clear for unambiguous classification by both reporting counterparties of commodity financing transactions into one of the types?
<ESMA_QUESTION_SFTR_51>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_51>

Q52.	What additional details may help to identify the type of transactions used?
<ESMA_QUESTION_SFTR_52>
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<ESMA_QUESTION_SFTR_52>

Q53.	What are the main types of commodities used in SFTs?
<ESMA_QUESTION_SFTR_53>

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<ESMA_QUESTION_SFTR_53>

Q54.   How often, in your experience, are other commodities used?
<ESMA_QUESTION_SFTR_54>
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<ESMA_QUESTION_SFTR_54>

Q55.   In your experience, what share of the transactions involves standardised commodity contracts, such as most traded gold and crude oil futures? Please provide concrete examples.
<ESMA_QUESTION_SFTR_55>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_55>

Q56.   In your experience, what share of the transactions involve commodities that meet the contract specification for the underlying to derivative contracts traded on at least one [EU] exchange?? If yes, please elaborate and provide concrete examples.
<ESMA_QUESTION_SFTR_56>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_56>

Q57.   Do the proposed fields and attributes in Section 6.1 sufficiently recognize the characteristics of commodity financing transactions? Please describe any issues you may see and describe any reporting attributes that should be added in order to enable meaningful reporting of commodity financing transactions.
<ESMA_QUESTION_SFTR_57>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_57>

Q58.   Could all scenarios described for securities lending, repo and buy-sell back theoretically apply to future forms of commodities financing transactions?
<ESMA_QUESTION_SFTR_58>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_58>

Q59.   Should other scenarios be considered? If yes, please describe.
<ESMA_QUESTION_SFTR_59>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_59>

Q60.   Would you agree that the ISIN could be used to uniquely identify some commodities used in SFTs? If yes, which one and what prerequisites would need to be fulfilled? If no, what alternative solution would use propose for a harmonised identification of commodities involved in SFTs?
<ESMA_QUESTION_SFTR_60>
We believe that the ISIN should be adopted as extensively as possible as it already is the most widely used international standard. ISINs are already applied for referential product and we believe it would be valuable for all market participants to encourage its use for all commodities.
<ESMA_QUESTION_SFTR_60>

Q61.   Would the classification as described in RTS 23 of MiFIR be the most effective way to classify commodities for the purposes of transparency under SFTR?
<ESMA_QUESTION_SFTR_61>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_61>

Q62.   Is there another classification that ESMA should consider?
 <ESMA_QUESTION_SFTR_62>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_62>

Q63.   Are there transactions in which a pool of commodities is financed that the reporting needs to take
         into account? Please provide concrete examples.
 <ESMA_QUESTION_SFTR_63>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_63>

Q64.   Do you agree with this basic scenario? If no, please explain what changes would need to be
         made to the scenario.
 <ESMA_QUESTION_SFTR_64>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_64>

Q65.   Are there other entities that do not act as counterparties but can be involved in the transaction
         chain (e.g. brokers or intermediaries)?
 <ESMA_QUESTION_SFTR_65>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_65>

Q66.   Are there standard margin agreements used in the market? If yes, which ones? If no, are there
         standard elements in margin agreements in the EU that are noteworthy from a financial stability
         perspective and not included in the list of questions or current data tables included in Section 6.1?
 <ESMA_QUESTION_SFTR_66>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_66>

Q67.   Are there margin loans that do not have a fixed maturity or repayment date, or other conditions in
         the agreement on which full or partial repayment of the loan can be conditioned?
 <ESMA_QUESTION_SFTR_67>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_67>

Q68.   Are floating rates used in margin lending transactions? Are there specificities that ESMA should
         be aware of regarding interest rates in the context of margin lending transactions?
 <ESMA_QUESTION_SFTR_68>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_68>

Q69.   What potential issues do reporting counterparties face regarding the reporting of margin
         account/credit balances?
 <ESMA_QUESTION_SFTR_69>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_69>

Q70.   How is information regarding the market value of short positions in the context of margin lending
         used by the lender (if at all)?
 <ESMA_QUESTION_SFTR_70>
 TYPE YOUR TEXT HERE
 <ESMA_QUESTION_SFTR_70>

Q71.   What kind of provisions do lenders have in place to limit or mitigate client losses from short
        positions?
<ESMA_QUESTION_SFTR_71>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_71>

Q72.   Do you foresee any issues with reporting information on SFT involving tri-party by the T+1
        reporting deadline? If so, which ones – availability of collateral data, timeliness of the information,
        etc.? Please elaborate.
<ESMA_QUESTION_SFTR_72>
Article 4(2) of the SFTR permits counterparties that are subject to the reporting obligation to delegate the
reporting of details of SFTs. We believe that this right will be especially important in connection with the
reporting of collateral data, as CCPs will likely prefer to delegate reporting of such details to the relevant
tri-party agent, on the basis that the CCP itself will obtain the relevant information from the tri-party agent.

If the CCP did not delegate such reporting, it would instead need to communicate and translate data that it
received from the tri-party agent to the trade repository. We believe that such a process would introduce
unnecessary complexity and therefore we suggest that it may be more efficient for the tri-party agent to
report the relevant data directly. We envisage that some tri-party agents (for example, certain banks that
act as tri-party agents) may have entities within their group that enter into trades as principal and such
entities will therefore be subject to their own reporting obligations. In these scenarios, from a CCP per-
spective, we would be in favour of the tri-party agent offering a delegated reporting service for CCPs as an
extension of their group's internal build requirements for SFTR reporting.

As noted by ESMA in the discussion paper, consideration should also be given to timing for the availability
of the collateral allocation. In a value-dated collateral allocation, this information would typically be avail-
able on the intended settlement date, which in many cases for tri-party transactions may be T+2 or T+3.
We would suggest that the reporting deadline for the collateral allocation data on tri-party transaction be
adjusted to take that element into account.

It is also important to note that there will still be additional challenges in linking transactions to collateral for
reporting purposes because most cleared transactions will usually result in a many-to-many relationship
with collateral pools, as described further under Q94 and Q95.
<ESMA_QUESTION_SFTR_72>

Q73.   Would you agree with the proposed split between the counterparty and transaction data?
<ESMA_QUESTION_SFTR_73>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_73>

Q74.   Is the reporting of the country code sufficient to identify branches? If no, what additional elements
        would SFT reporting need to include?
<ESMA_QUESTION_SFTR_74>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_74>

Q75.   Do you foresee any costs in implementing such type of identification?
<ESMA_QUESTION_SFTR_75>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_75>

Q76.   Would it be possible to establish a more granular identification of the branches? If yes, what
        additional elements would SFT reporting need to include and what would be the associated
        costs?
<ESMA_QUESTION_SFTR_76>
TYPE YOUR TEXT HERE

<ESMA_QUESTION_SFTR_76>

Q77.　　What are the potential benefits of more granular identification of branches? Please elaborate.
<ESMA_QUESTION_SFTR_77>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_77>

Q78.　　Are there any situations different from the described above where the actual transfers between headquarters and branches or between branches can be considered transactions and therefore be reportable under SFTR? Please provide specific examples.
<ESMA_QUESTION_SFTR_78>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_78>

Q79.　　Are there any other cases which are not identified above, where the beneficiaries and the counterparties will be different? Please elaborate.
<ESMA_QUESTION_SFTR_79>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_79>

Q80.　　Do you agree with the proposal to link the legs of a cleared transaction by using a common identifier?
<ESMA_QUESTION_SFTR_80>
The proposed reporting framework states that, if there is a bilateral trade or a trade conducted on a trading venue, but cleared on the next day or later, the reports of an original trade would have to be sent to the trade repositories and then subsequently terminated when the reports on the transactions post clearing are provided. In that scenario, our view is that any reporting obligation with respect to such bilateral trade should not involve the CCP and should remain with the original counterparties, as they are best placed to perform the necessary actions.

We support, in principle, the proposal to link the legs of a cleared transaction by using a common identifier. We would however like to point out that, as mentioned under Q32, we do not believe the client clearing example provided under paragraph 214 is reflective of the current market practice.

Re-using the example of an original transaction executed on T, and cleared on T+1, and adapting it to the current clearing model, we obtain the following result:
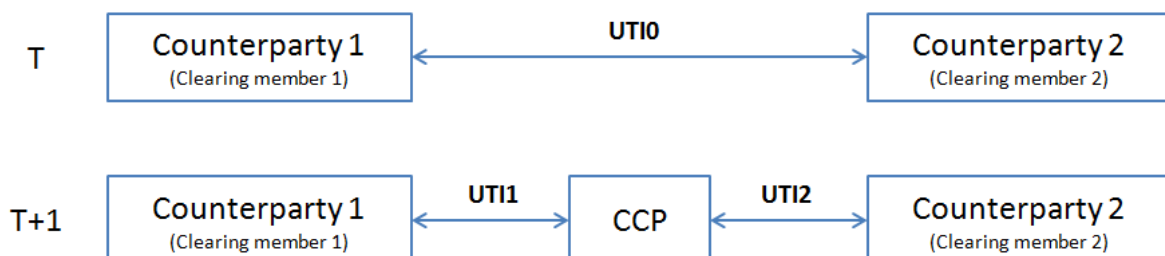
Population of common identifier field in post-clearing reports				
Report Number	Reporting counterparty	Other counterparty	UTI	Common identifier/Prior-UTI
1	Counterparty 1 (Clearing member 1)	CCP	UTI1	A/UTI0
2	Counterparty 2 (Clearing member 2)	CCP	UTI2	A/UTI0
3	CCP	Counterparty 1 (Clearing member 1)	UTI1	A/UTI0
4	CCP	Counterparty 2 (Clearing member 2)	UTI2	A/UTI0

As suggested by ESMA, the CCP would then able to use a common identifier, such as Report tracking number (generated by the trading venue), or a Prior-UTI in order to link the reporting of the cleared legs. Of course, the CCP will only be able to use the common identifier in its own reports if it has received such common identifier when the original transaction was submitted to clearing. For bilateral trades, the CCP would only be able to report a common identifier if it is provided to it by the counterparties. In this respect, it may be challenging to obtain a common identifier for bilateral trades that have been executed in the past and then later submitted for clearing.

We also propose that the CCP should not have any reporting obligation with respect to any back-to-back transactions entered into between Counterparty 1/Counterparty 2 and other entities (such as clients of these two counterparties) to the extent that these transactions would not be considered cleared transactions.

We fully support the harmonisation effort on Unique Transaction identifiers, as undertaken by CPMI-IOSCO, and the clarification provided by ESMA in its EMIR Q&A. It is critical to define clear rules in terms of responsibility for generating UTIs, and how UTIs should be constructed in order to ensure uniqueness and timely generation. However, the requirement to report prior UTIs is a completely new requirement in Europe and will, therefore, require substantial system updates for CCPs as well as mandatory API updates for members. As the CPMI-IOSCO work on global harmonisation of UTIs is not yet complete, we request that the introduction of the reporting of prior UTIs be postponed until the international standards are agreed in order to better achieve the objective of aligning EMIR and SFTR reporting, where possible.

LSEG would also welcome engagement with the authorities involved in defining the framework for the creation of the trade identifiers: UTIs or Reporting Tracking Numbers. This framework should clearly define which party is responsible for generating the identifiers, how these identifiers should be constructed, and it should take into account whether the transactions are executed on a trading venue or OTC, and whether they are subsequently cleared or not. A clear and transparent set of rules for all market participants (trading venues, counterparties and CCPs) is essential in order to ensure uniqueness, timely generation and operational efficiency.
<ESMA_QUESTION_SFTR_80>

Q81.   Could you suggest robust alternative ways of linking SFT reports?
<ESMA_QUESTION_SFTR_81>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_81>

Q82.   Are the different cases of collateral allocation accurately described in paragraphs 221-226? If not, please indicate the relevant differences with market practices and please describe the availability of information for each and every case?
<ESMA_QUESTION_SFTR_82>

The high level of granularity and amount of information concerning the collateral to be allocated to SFT trades (as set out by ESMA in the discussion paper), leads LSEG to believe that it would be useful if ESMA could clarify whether the collateral disclosure requirements refer to: (i) the securities which are being exchanged against cash, in accordance with the contractual terms of the SFT, or (ii) rather the margin to be posted to the CCP to cover the counterparty risk exposure of the SFT counterparty. We would, therefore, welcome a clarification by ESMA regarding the collateral to be disclosed in case of cleared SFTs.

With regard to the margin requirements calculated by the CCP (based on counterparty risk exposure), we foresee some difficulties in the reporting of collateral allocation. We would first like to express our concern regarding the requirement to report collateral market value updates on a daily basis, as defined under paragraph 219, as it will result in a significant amount of data that may not be practically reported. If such requirement is maintained, we believe that a CCP should be permitted to report the collateral market value in accordance with its own valuation methods. Please see our answer to Q19 on this point.

In addition, most cleared transactions will usually result in a many-to-many relationship with collateral pools. For clearing, collateral pools are maintained on an on-going basis and evolve as trades expire and new trades are registered. It will therefore prove particularly challenging to establish and maintain links between transactions and collateral, as described further under Q94 and Q95.

In instances where Repo trades do not involve baskets, this will be a many-to-one and not one-to-many relationship, as highlighted within table 6 on page 65 of the discussion paper.
<ESMA_QUESTION_SFTR_82>

Q83.　　Is the assumption correct that manly securities lending would require the reporting of cash collateral? If no, for which other types of SFTs is the cash collateral element required? Please elaborate.
<ESMA_QUESTION_SFTR_83>
It is not correct to say that the use of cash collateral would be limited to mainly "securities lending" trades that are collateralised against cash. Cash collateral will also be used in repo/reverse-repos, buy/sell back trades and sell/buy back trades because (a) each of these trades settle versus cash; and (b) the CCP may collect initial margin and variation margin in cash against these trades.
<ESMA_QUESTION_SFTR_83>

Q84.　　Does the practice to collateralise a transaction in several amounts in different currencies exist? Please elaborate.
<ESMA_QUESTION_SFTR_84>
No, we do not believe that this market practice currently exists.
<ESMA_QUESTION_SFTR_84>

Q85.　　Do you foresee any issues on reporting the specified information for individual securities or commodities provided as collateral? If yes, please elaborate.
<ESMA_QUESTION_SFTR_85>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_85>

Q86.　　Are there any situations in which there can be multiple haircuts (one per each collateral element) for a given SFT? Please elaborate.
<ESMA_QUESTION_SFTR_86>
Haircuts are not generally applied for cleared transactions, with the exception of certain tri-party transactions. Please see our answer to Q19 for further information.
<ESMA_QUESTION_SFTR_86>

Q87.　　Would you agree that the reporting counterparties can provide a unique identification of the collateral pool in their initial reporting of an SFT? If no, please provide the reasons as to why this would not be the case.

<ESMA_QUESTION_SFTR_87>
We would welcome further clarification from ESMA on the definition of "unique identifier" and whether it refers (i) to the uniqueness of a specific collateral pool or (ii) to the link between a collateral pool and a specific SFT. For instance, a specific ISIN may be available to uniquely identify a particular collateral basket used in a tri-party cleared transaction (which ISIN can then be used by any clearing members that are all transacting within the same collateral basket), but this ISIN will not be unique to any particular SFT trade.
<ESMA_QUESTION_SFTR_87>

Q88.   Are there cases where a counterparties to a repo, including those executed against a collateral pool, would not be able to provide the collateral with the initial reporting of the repo trade? If yes, please explain.
<ESMA_QUESTION_SFTR_88>
As noted by ESMA, in case of value-dated collateral allocation, details of the collateral is not known until the intended settlement date, which may be on T+2 or T+3. Such data therefore cannot be provided with the initial reporting of the repo trade.
<ESMA_QUESTION_SFTR_88>

Q89.   Are there any issues to report the collateral allocation based on the aforementioned approach? Please elaborate.
<ESMA_QUESTION_SFTR_89>
As per our comment on Q88, reporting counterparties should have the ability to provide the details of the collateral allocation after the initial reporting of the trade, for example, at end-of-day on the settlement date.
<ESMA_QUESTION_SFTR_89>

Q90.   In the case of collateral pool, which of the data elements included in Table 1 would be reported by the T+1 reporting deadline? Please elaborate.
<ESMA_QUESTION_SFTR_90>
We think that the ISIN or the proprietary identifier may be provided by the T+1 reporting deadline. Details of the collateral allocation may be provided on T+1 only if it is the intended settlement date.
<ESMA_QUESTION_SFTR_90>

Q91.   Which option for reporting of collateral would be in your opinion easier to implement, i.e. always reporting of collateral in a separate message (option 2) or reporting of collateral together with other transaction data when the collateral is known by the reporting deadline (option 1)?
<ESMA_QUESTION_SFTR_91>
We would support Option 2. A separate collateral message could be used consistently, regardless of whether the collateral allocation details can be provided along with the initial reporting on T+1 or at a later stage if the settlement date is after T+1. Also, as mentioned under Q72, from a CCP perspective, we believe that it may be more efficient for a CCP to delegate its collateral data reporting to the relevant tri-party agent, where such tri-party agent offers a delegated reporting service.
<ESMA_QUESTION_SFTR_91>

Q92.   What are the benefits and potential challenges related to either approach? Please elaborate.
<ESMA_QUESTION_SFTR_92>
The benefit of Option 2 is that it can be used consistently, regardless of the timing of the collateral reporting. Option 1, combining collateral and transaction data, would not permit the flexibility that is required by market practice.
<ESMA_QUESTION_SFTR_92>

Q93.   Do you foresee any challenges with the proposed approach for reporting updates to collateral? What alternatives would you propose? Please elaborate.
<ESMA_QUESTION_SFTR_93>

We agree with ESMA that providing a full snapshot of the total amount of allocated collateral at end of day rather than just the change from the previous day is a better option.
<ESMA_QUESTION_SFTR_93>

Q94.   Is it possible to link the reports on changes in collateral resulting from the net exposure to the original SFT transactions via a unique portfolio identifier, which could be added to the original transactions when they are reported?

<ESMA_QUESTION_SFTR_94>
It is our understanding that this question refers to the ability to link original transactions that are collateral-ised based on their net exposure to changes in the underlying collateral pool. If our understanding is correct, it is then theoretically possible. However, as previously mentioned, collateral pools for cleared transactions are maintained on an on-going basis, which would mean daily updates of the link between SFT transactions, collateral pools and changes of collateral.
<ESMA_QUESTION_SFTR_94>

Q95.   Do you foresee any difficulties related to the linking of the collateral report to the underlying SFTs by specifying UTIs of those SFTs in the collateral report?

<ESMA_QUESTION_SFTR_95>
The same difficulties mentioned under Q94 would arise by specifying UTIs, however, we believe that this option is more complex in a clearing context than the option in Q94. Indeed, the list of UTIs would require daily updates to take into account expired SFTs and new transactions registered.
<ESMA_QUESTION_SFTR_95>

Q96.   Are there additional options to uniquely link a list of collateral to the exposure of several SFTs to those specified? If yes, please detail them.

<ESMA_QUESTION_SFTR_96>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_96>

Q97.   What would you deem to be the appropriate option to uniquely link collateral to the exposure of several SFTs? Are you using any pro-rata allocation for internal purposes? What is the current market practice for linking a set of collateralised trades with a collateral portfolio? Please elaborate.

<ESMA_QUESTION_SFTR_97>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_97>

Q98.   Do you foresee any issues between the logic for linking collateral data and the reporting of SFT loan data? Please elaborate.

<ESMA_QUESTION_SFTR_98>
Yes, we believe there are issues due to the fact that most cleared transactions will usually result in a many-to-many relationship with collateral pools that are maintained on an on-going basis. This collateral pool will evolve in size (as detailed in our previous responses), and therefore the linking of collateral to the SFTs will be difficult to determine.
<ESMA_QUESTION_SFTR_98>

Q99.   Do you agree with the description of funding sources mentioned above?

<ESMA_QUESTION_SFTR_99>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_99>

Q100.   Are there other funding sources used in the context of margin lending?

<ESMA_QUESTION_SFTR_100>
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<ESMA_QUESTION_SFTR_100>

Q101.   What are the obstacles to lenders reporting the market value of funding sources?
    <ESMA_QUESTION_SFTR_101>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_101>

Q102.   Would reporting pro-rata amounts address some of the challenges or facilitate reporting?
    <ESMA_QUESTION_SFTR_102>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_102>

Q103.   Should the cash in the margin accounts be considered also as part of the collateral for a given margin lending transaction? Please elaborate.
    <ESMA_QUESTION_SFTR_103>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_103>

Q104.   What are the metrics used (other than LTV ratios) to monitor leverage from margin lending, and more broadly to address risks related to the value of collateral? How are these calculated?
    <ESMA_QUESTION_SFTR_104>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_104>

Q105.   Using these metrics, what are the current limits or thresholds used by margin lenders that will trigger a collateral action? How are these limits determined? Are there different thresholds triggering different actions? Can they vary over time, and for what reasons?
    <ESMA_QUESTION_SFTR_105>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_105>

Q106.   What kind of collateral actions can be triggered by crossing these limits or thresholds? Please describe the actions, their impact on the metrics described in Question 13, and the potential associated changes in limits or thresholds.
    <ESMA_QUESTION_SFTR_106>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_106>

Q107.   Are there any other important features, market practices or risks that you would like to bring to our attention in the context of margin lending?
    <ESMA_QUESTION_SFTR_107>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_107>

Q108.   Do you have any alternative proposals for reporting information related to funding sources that might reduce the burden on reporting entities?
    <ESMA_QUESTION_SFTR_108>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_108>

Q109.   Do you agree with the collateralisation and margin lending practices described above? Are there instances where margin loans are not provided (or haircuts applied) on a portfolio basis?
    <ESMA_QUESTION_SFTR_109>
    TYPE YOUR TEXT HERE
    <ESMA_QUESTION_SFTR_109>

Q110.   What are the potential obstacles to reporting information regarding the individual securities set
          aside in margin accounts by the lender?
<ESMA_QUESTION_SFTR_110>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_110>

Q111.   Would you agree that in the context of margin lending the entire collateral portfolio, i.e. both cash
          and securities, would require reporting? If no, please explain.
<ESMA_QUESTION_SFTR_111>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_111>

Q112.   What are the obstacles to the reporting of reuse of collateral for transactions where there is no
          transfer of title? What are the current market practices aimed at mitigating risks from collateral re-
          use specifically in the context of margin lending?
<ESMA_QUESTION_SFTR_112>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_SFTR_112>

Q113.   What options exist to link collateral that is re-used to a given SFT or counterparty? Please
          document the potential issues.
<ESMA_QUESTION_SFTR_113>
In a clearing context, it is important to first differentiate between SFTs cleared by the CCP, and SFTs
entered into by the CCP as principal, as part of its treasury activity.

SFTs cleared by the CCP
For cleared SFTs, the CCP only interposes itself between the counterparties and collateral is "passed
through" the CCP from one counterparty to the other. Therefore, we do not believe that the concept of re-
use is appropriate for cleared transactions and would suggest that they are exempted from the
requirement to report re-used collateral. Otherwise, that the collateral re-use value for cleared
transactions, must always be reported at 100%.

Further, a key difficulty that will be encountered in the linking of collateral that is re-used in the context of
cleared SFTs is that, whilst we can say that the collateral that is posted to a CCP in respect of each
cleared SFT is always re-used because collateral is passed through the CCP from one counterparty to the
other (i.e. 100% re-use), it is much more difficult to identify the exact CCP transaction that such collateral
is re-used against.

SFTs entered into by the CCP, as part of its treasury activity
For SFTs executed by the CCP as part of its treasury activity, collateral is managed at portfolio level, and
it is therefore not a simple process to establish a link to a given SFT or a particular counterparty.

It is also important to note that the ability to report the level of collateral re-use will vary depending on the
method applied by a particular CCP to conduct its treasury management activities, and these methods will
likely vary between different CCPs.

For example, for certain CCPs, SFTs entered into as part of the CCPs' treasury activity may be
systematically reported with 100% re-use. This is most likely the case for CCPs that also hold a banking
licence, because such CCPs have access to central bank liquidity facilities and therefore re-use all of the
collateral posted to them in connection with their treasury activities at central banks in order to maintain a
credit line.

However, other CCPs may decide to only re-use collateral posted to them in connection with their treasury
activities in the event that they need to raise liquidity. The "re-used" collateral for such CCPs will therefore
not necessarily be 100% but will be a portion (%) of the collateral.

In view of this latter case, we, therefore, welcome ESMA's suggestion at paragraph 260 of the discussion paper that the re-use percentage can be an estimated amount in these circumstances. Using the estimated measure suggested, <u>in respect of its treasury activities only</u>, a CCP could calculate the percentage of re-use for a given security j (e.g. per ISIN) using the suggested formula, however the CCP would need to exclude all cleared SFT data from the calculation. Therefore:

$$Re\text{-}used\ \% = (collateral_j^{posted} - assets_j^{own,encumbered})/collateral_j^{posted}$$

where

- $collateral_j^{posted}$ represents the market value of collateral posted to the CCP in respect of <u>non-cleared SFTs</u> in a given security j and

- $assets_j^{own,encumbered}$ is the market value of own encumbered assets in the given security j that have been posted as collateral in respect of <u>non-cleared SFTs</u>.

As explained in our answer to Q19 above, a CCP should be permitted to use the collateral market value calculated in accordance with its own valuation methods in the above formula.

However, it is important to note that although the above calculation may work for certain CCPs' treasury activities, it will likely require such CCPs to build new systems to monitor this. Further, as collateral may be substituted several times a day, such a CCP will need to report its re-use figure everytime it changes, which will (i) be a considerable operational uplift for the CCP; (ii) increase operational costs of clearing for the CCP, and (iii) ultimately increase the operational costs for the clearing members. We support the simplification of the SFTR reporting regime, where possible without affecting the supervisory objectives, to minimise these effects on the market. One way to do this would be to allow CCPs to report collateral data at end-of-day on the settlement day. This would ensure that accurate data on allocated collateral and the identity of the CSD/ICSD is reported. Please see our answer to Q19 above and Q122 below for more information.
<ESMA_QUESTION_SFTR_113>

Q114.   In which cases can the re-use be defined at transaction level?
<ESMA_QUESTION_SFTR_114>
As per our comment on Q113, cleared SFTs could be systematically reported with a 100% level of re-use, as may SFTs entered into by certain CCPs (e.g. CCPs with a banking licence) for treasury management purposes. However, for other CCPs' treasury activities, we believe that the "estimated" measurement formula (as adjusted in our answer to Q113 above) would need to be used instead of transaction level reporting.
<ESMA_QUESTION_SFTR_114>

Q115.   Do you see other ways to calculate the collateral re-use for a given SFT?
<ESMA_QUESTION_SFTR_115>
From a CCP perspective, as mentioned in our answer to Q113, we believe it is not practical to calculate collateral re-use at the transaction level for treasury activities of a CCP and for cleared SFTs, the collateral re-use value would always be 100%, therefore, we do not believe that the concept of reporting re-use is appropriate for cleared transactions.
<ESMA_QUESTION_SFTR_115>

Q116.   Are there any circumstances in which the re-use percentage applied at entity level could not be calculated for a given security (e.g. per ISIN)?
<ESMA_QUESTION_SFTR_116>
As mentioned in our answer to Q113, for certain CCP's treasury activities, the "estimated" measurement formula (as adjusted in our answer to Q113 above) may need to be used instead of transaction level reporting but the re-use percentage could be calculated for a given security (e.g. per ISIN) using such formula.

In respect of other CCPs (e.g. those with a banking licence) there may be no circumstance in which the re-use percentage applied at entity level could not be calculated for a given security (e.g. per ISIN) because the SFTs entered into by such CCPs as part of their treasury activity could be systematically reported with 100% level of re-use.
<ESMA_QUESTION_SFTR_116>

Q117.   Which alternatives do you see to estimate the collateral re-use?
<ESMA_QUESTION_SFTR_117>
We do not have an alternative to suggest at this time but would welcome the opportunity to work further with ESMA and our regulators to explain how the envisaged SFTR reporting regime will apply to CCPs and the difficulties it may pose if the nuances of the CCP business model are not reflected in the final rules.
<ESMA_QUESTION_SFTR_117>

Q118.   When the information on collateral availability for re-use becomes available? On trade date (T) or
          at the latest by T+1?
<ESMA_QUESTION_SFTR_118>
Rights of re-use of collateral are negotiated bilaterally in the legal agreements between two counterparties and would therefore be known at the time of execution of an SFT.
<ESMA_QUESTION_SFTR_118>

Q119.   Is it possible to automatically derive the collateral re-use in some cases given the nature of the
          SFT (meaning based on the GMRA, GMSLA or other forms of legal agreements)? If yes, please
          describe these cases and how the information could be derived. Please explain if deviations could
          be drafted within legal agreements to deviate from the re-usability.
<ESMA_QUESTION_SFTR_119>
As explained in Q118 above, rights of re-use of collateral are agreed on a bilateral basis when the legal agreement is negotiated between two counterparties. It is therefore not possible to automatically derive the collateral re-use terms from the broad type of legal agreement in all cases. Rather, it is necessary to review the terms of each legal agreement on a case-by-case basis in order to determine the rights of collateral re-use. That said, for SFTs executed as title transfer collateral arrangements (e.g. GMRAs) it is possible to determine that rights of collateral re-use under such agreements will always be 100%.

However, it is not possible to derive the percentage of actual collateral re-use from the type of legal agreement used. Even if a counterparty has the right to re-use 100% of the collateral, it may choose to only re-use a portion of such collateral. Please refer to our response to Q113 in this regard.
<ESMA_QUESTION_SFTR_119>

Q120.   Do you agree with the rationale for collection of information on the settlement set out in this
          section?
<ESMA_QUESTION_SFTR_120>
We support the rationale for collection of information on the settlement set.
<ESMA_QUESTION_SFTR_120>

Q121.   Do you consider that information on settlement supports the identification and monitoring of
          financial stability risks entailed by SFTs?
<ESMA_QUESTION_SFTR_121>
It is important to note that the concentration of settlement of SFTs in a CSD does not necessarily create systemic risk and, in some instances, can actually contribute to reduce systemic risk: for example, by reducing the likelihood of a settlement failure of the borrowers against collateral. In addition, the strict prudential framework applied to CSDs in Europe and across the world means that settling SFTs in CSD accounts entails less risk than settling SFTs outside of a CSD environment. The likelihood of a CSD failure is extremely low (and has no precedent, in Europe at least), especially compared to the likelihood that an intermediary fails. The occurrence of settlement at CSD level (i.e. in the accounts of CSD participants) should therefore be encouraged. Further, we believe that ESMA should acknowledge that

non-banking CSDs are not exposed to counterparty credit risk in relation to their participants and do not provide SFT programmes, so such CSDs should not be seen as a channel for contagion.

We believe that the collection of settlement information to identify where and how SFTs are settled should not be the primary piece of information to rely upon to monitor the concentration of systemic risk in connection with SFTs. Concentration of risk exposures deriving from SFTs should be monitored at "transaction level" among the counterparties of the SFT transactions, which could actually be far removed from the settlement level because settlement of transactions may happen through a chain of intermediaries.

In this context, we should also note that CSDR already provides for CSDs to distinguish in its settlement instruction records, the types of transactions and among other things, details of repurchase transactions and collateral arrangements. Therefore, we would recommend that competent authorities consider whether to obtain data on volumes of settlement instructions related to SFT transactions at CSD level.

Moreover, whilst we support ESMA's view that information on settlement supports the identification and monitoring of financial stability risks entailed by SFTs, please refer to our comments at Q122 which explains the complexity of CCPs providing such information in respect of cleared transactions.

Finally, we believe that the method of settlement reporting proposed will not allow the identification of a situation where a cash transaction and repo transaction are netted together for the same settlement date. For example, Bank A may buy a bond outright for 10 cash on day X (the "cash trade") and Bank A also enters into a repo in respect of a bond with the same ISIN and for the same value (10) which settles on the same day X (the "repo trade"). Bank A would not need to report the cash trade, as it is outside of the scope of the SFTR reporting regime and in respect of the repo trade, it would report a settlement value of zero because it would net the cash trade against the repo trade and so the settlement value will be zero. As a result, the effectiveness of settlement information in the identification and monitoring of financial stability risks entailed by SFTs may be diminished.
<ESMA_QUESTION_SFTR_121>

Q122.   Do you agree with the approach to identify the settlement information in the SFT reports?
<ESMA_QUESTION_SFTR_122>
For cleared transactions, some collateral may settle in different CSDs, with the actual place of settlement only known on the settlement date. It may therefore be challenging to provide this reporting information with certainty by the reporting deadline.
<ESMA_QUESTION_SFTR_122>

Q123.   Do you envisage any difficulties with identifying the place of settlement?
<ESMA_QUESTION_SFTR_123>
As per our comments on Q122, place of settlement for cleared transactions may sometimes only be known on the settlement date. It implies that this information may only be provided with certainty as of the settlement date.
<ESMA_QUESTION_SFTR_123>

Q124.   Are there any practical difficulties with identifying CSDs and indirect or direct participants as well as, if applicable, settlement internalisers in the SFT reports? Would this information be available by the reporting deadline? Please elaborate.
<ESMA_QUESTION_SFTR_124>
Please refer to our comments at Q122 which explains the complexity of providing settlement information in respect of cleared transactions by the reporting deadline.
<ESMA_QUESTION_SFTR_124>

Q125.   Will this information be available by the reporting deadline? What are the costs of providing this information?
<ESMA_QUESTION_SFTR_125>

For OTC cleared SFTs, a CCP does not currently obtain details of the master agreements used by its counterparties. For SFTs executed on a trading venue, we believe that data fields relating to the type of master agreement used will be irrelevant, since the contractual terms of such SFTs are defined by the trading venue itself, and governed by the CCP rules if subsequently cleared. We therefore recommend that this data field is not made mandatory for cleared transactions.

For SFTs entered into by CCPs as part of their treasury activities, these are generally entered into under a GMRA and it therefore would be possible to report the details of the master agreements used but this would require CCPs to build a new system to collect and monitor the reporting of this data and will entail an additional operational uplift.
<ESMA_QUESTION_SFTR_125>

Q126.   What other data elements are needed to achieve the required supervisory objectives? Please elaborate.
<ESMA_QUESTION_SFTR_126>
We do not believe more data elements are required to achieve the required supervisory objectives. We believe that a simplification of the reporting process will support the European Commission's aim of in-creasing transparency and monitoring the systemic risk associated with SFTs. In particular, focusing on key data elements only (e.g. identification of counterparty, transaction value, settlement maturity, collateral amount and identity of custodian) will help to reduce the costs and the implementation efforts for market participants. Moreover, we believe that this proposed approach would lead to improvements in data quality and provide increased benefits for the regulators and the securities financing markets as a whole.
<ESMA_QUESTION_SFTR_126>

Q127.   Do you agree with the proposed categories of trading methods to be reported by SFT counterparties?
<ESMA_QUESTION_SFTR_127>
As mentioned in Q19, we do not agree because some CCPs are unable to differentiate bilateral transac-tions executed on "automated trading systems" from those executed on "automatic trading systems". Indeed, this information relates to the original transaction and does not currently have an impact on the clearing process. We, therefore, recommend that this field be removed for cleared SFTs. Otherwise, technical feeds for submission to clearing will need to be updated to include this information (so that it can be reported) which would result in operational uplift and will further increase the costs of clearing for CCPs and clearing members.
<ESMA_QUESTION_SFTR_127>

Q128.   Are there any other methods of trading that are not covered?
<ESMA_QUESTION_SFTR_128>
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<ESMA_QUESTION_SFTR_128>

Q129.   Do you agree with the proposed types of validations? Would you include any further validations? If so which ones? Please elaborate.
<ESMA_QUESTION_SFTR_129>
A – Authentication of participants. We agree with and support the proposed approach.

B – Schema Validation. As indicated in Q11, we do not believe that submitting firms must themselves adopt the xML format. Indeed, It is easy for TRs to transform data from other formats, such as csv and xLS, to the ISO 20022 format and firms are able to easily adhere to the suggested field population stand-ards described in the ISO 20022 specification. Requesting firms to report in the ISO 20022 format will be unnecessarily costly for them, particularly for smaller firms, and the benefits that this will bring remain unclear.

C – Authorisation / permission. We support the principle that TRs should ensure that an entity submit-ting a report has the permission to do so for the entities / parties to the contract which are indicated in the reporting message.

D – Logical validation. We agree with this proposed validation.

E – Business Rules or content validation. We strongly support validation based on the values in the ITS. We believe that harmonised validation rules, clearly specified prior to the reporting go-live, will be greatly beneficial to reporting firms, TRs and regulators.
<ESMA_QUESTION_SFTR_129>

Q130.   Do you agree with the proposed scope of the reconciliation process? Should trades expired or terminated more than a month before the day on which reconciliation takes place be included in the reconciliation process? Please elaborate.
<ESMA_QUESTION_SFTR_130>
In principle, we agree with the proposed scope of the reconciliation process. However, we would like to highlight that the success of this process will depend on the co-operation of all the TRs.

Our preference would be to exclude trades that have expired or were terminated one month before the day on which the reconciliation process is performed. UnaVista's experience as a TR has highlighted the difficulties encountered in reconciling trades. Whilst we recognise the importance of this task, we believe there would be more value in concentrating efforts on the reconciliation of live trades.
<ESMA_QUESTION_SFTR_130>

Q131.   What is the earliest time by which the reconciliation process can be completed? If not, please indicate what other characteristics need to be included? Please elaborate.
<ESMA_QUESTION_SFTR_131>
UnaVista's experience with EMIR trade report reconciliation has shown that the earliest time on which the reconciliation can start is T+2. Moreover, we would like to note that successful reconciliation is ultimately dependent upon the two reporting counterparties communicating with each other, agreeing on the correct trade details and re-submitting the reports to their respective TRs. In practice, we see numerous records for which the EMIR reconciliation process has never actually been completed.
<ESMA_QUESTION_SFTR_131>

Q132.   Do you foresee issues with following the EMIR approach on reconciliation of data for SFT? What other approaches for reconciliation of transactions exist? How many data elements are reconciled under those approaches? What is the timeframe of reconciliation under those approaches? Please elaborate.
<ESMA_QUESTION_SFTR_132>
We believe that we can use "lessons-learnt" from EMIR trade report reconciliation for the definition of the SFTR reporting regime. In our view, harmonised data validations, clarity on transaction lifecycle reporting, more effective inter-TR reconciliation processes and greater efforts to reconcile data before reporting to TRs can dramatically improve the matching rates.
<ESMA_QUESTION_SFTR_132>

Q133.   What are the expected benefits from full reconciliation? What are the potential costs from TR and counterparty perspective to adopt a full reconciliation approach? In terms of the matching of data, which of the data fields included in Section 6.1 can be fully reconciled and for which ones certain degrees of tolerance has to be applied? Please provide concrete examples. Please elaborate.
<ESMA_QUESTION_SFTR_133>
We cannot comment on the benefits of full reconciliation. However, from a TR perspective, we would like to note that there is a 'time' consideration as well as a 'cost' consideration. The number of reconciliation breaks increases proportionately the number of elements included in the reconciliation/matching process. As a result, a significant backlog of reports needs to be included in the daily reconciliation process. UnaVista's experience with EMIR has shown that this increase in un-reconciled reports can reach a point where the data files become too large, and can no longer be sent efficiently.

We believe that the reporting firms and trade associations are best placed to judge which fields can be fully reconciled or matched. However, based on UnaVista's experience as an EMIR-authorised TR, we believe that tolerances should be applied to any field related to a time or a price data element.
<ESMA_QUESTION_SFTR_133>

Q134.   Do you foresee any potential issues with establishing a separate reconciliation process for collateral data? What data elements have to be included in the collateral reconciliation process? Alternatively, should collateral data be reconciled for each collateralised SFT individually? What would be the costs of each alternative? Please elaborate.

<ESMA_QUESTION_SFTR_134>
We do not know if collateral data can be reconciled. Indeed, under the proposed framework, one counterparty may report collateral data at transaction level, whilst the other counterparty may report it at portfolio level. In such case, the values will be incompatible for reconciliation.
<ESMA_QUESTION_SFTR_134>

Q135.   What additional feedback information should be provided to the reporting counterparties? What should be the level of standardisations? What would be the benefits of potential standardisation of the feedback messages? Do you agree with the proposed timing for feedback messages?

<ESMA_QUESTION_SFTR_135>
In accordance with EMIR trade reconciliation, we believe it would be useful for the reporting firms to be able to send back to their counterparty any conflicting value with the other counterparty's report.

UnaVista works closely with its clients to provide them with the information they require for this process. Whilst we are not entirely opposed to the idea of standardisation, we are not sure of the value to reporting firms.

We believe that the one hour deadline to send feedback messages to submitting firms is a reasonable target.
<ESMA_QUESTION_SFTR_135>

Q136.   Would you be favourable of a more granular approach for public data than the one under EMIR? Would you be favourable of having public data as granular as suggested in the FSB November 2015 report? What are the potential costs and benefits of such granular information? Please elaborate.

<ESMA_QUESTION_SFTR_136>
We do not believe that the level of granularity will be the main driver of costs. Of prime importance is the provision of an unambiguous specification for the aggregation of the public data. We would also note that it only takes one erroneous report (which passes the validation requirements) to potentially skew some of the public data indicators. We don't believe that the TRs are always the most appropriate entities to determine what data passing the validations is erroneous or to enforce the correction of this data.
<ESMA_QUESTION_SFTR_136>

Q137.   In terms of criteria for aggregation, which of the following aspects ones are most important to be taken into account – venue of execution of the SFT, cleared or not, way to transfer of collateral? What other aspects have to be taken into account for the purposes of the public aggregations? Please elaborate.

<ESMA_QUESTION_SFTR_137>
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<ESMA_QUESTION_SFTR_137>

Q138.   Do you foresee any issues with publishing aggregate data on a weekly basis? Please elaborate.
<ESMA_QUESTION_SFTR_138>
We would need to see detailed specifications in order to provide comprehensive comments on this question. However, the publication of aggregate data on a weekly basis appears to be appropriate, provided that the specifications are clear and reasonable.

<ESMA_QUESTION_SFTR_138>

Q139.   At which point in time do you consider that the additional data elements regarding the reconciliation or rejection status of an SFT will be available? What are the potential costs of the inclusion of the above mentioned additional data elements? What other data elements could be generated by the TRs and provided to authorities? Please elaborate.
<ESMA_QUESTION_SFTR_139>
The time at which reconciliation information may be available will be dependent on whether both sides of the trade have reported to the same TR or to different TRs. Either way, the timing for the TR reconciliation will be key. Further detailed analysis is required on the rejection status, before we can provide time and costs estimates.
<ESMA_QUESTION_SFTR_139>

Q140.   Do you consider that all the relevant data elements for generation of the above reports will be available on time? What are the potential costs of the generation of above mentioned transaction reports? What are the benefits of the above mentioned transaction reports? What other transaction reports would you suggest to be provided by the TRs? Please elaborate.
<ESMA_QUESTION_SFTR_140>

A) We are confident that all accepted SFT reports can be made available by T+1.

B) We are confident that the latest trade state report for all outstanding trades as of close of the previous working day can be made available.

C) Although it is dependent on the criteria chosen, we are not confident that this data can be made available on the day of request.

D) Whilst we would need to see precise requirements for this report to comment with certainty, this appears feasible.

E) Again, we would need to see the precise requirements to comment with any degree of certainty. If an aggregated report was required simply showing the number of accepted SFT reports, the reconciliation status and a breakdown of reasons for the reconciliation failures, then this could be produced relatively easily. If the report needed to contain each individual SFT, and the reconciliation success rate mirrored EMIR trade report reconciliation success rate, then the report could grow dramatically over time and could be difficult to process on a daily basis.

We suggest that no additional reports be provided by the TRs.
<ESMA_QUESTION_SFTR_140>

Q141.   Do you consider that all the relevant data elements for calculation of the above reports will be available on time?
<ESMA_QUESTION_SFTR_141>
The majority of the requested data could be available as soon as the TR receives the relevant trade and position reports. However, the calculation of part (a) the 'Gross and net exposure between counterparties, based on relevant principal amounts' requires the matching and netting of counterparty and product into discrete positions, both of which require significant processing cycles. In addition, the total counterparty exposure would potentially require data from many TRs, therefore, we believe that it would be most efficiently completed by the regulator once a complete set of trade data is aggregated from all relevant TRs. The role of the TR should be to collect the granular data and forward it to the regulators for market wide analysis.
<ESMA_QUESTION_SFTR_141>

Q142.   What are the potential costs of the generation of above mentioned position reports? other reports
           would you suggest to be provided by the TRs? Please elaborate.

<ESMA_QUESTION_SFTR_142>
The netting of trade reports by counterparty positions will be complex, resource intensive and prone to errors if separately done by trade repositories. We suggest that a much more effective solution would be for the regulators to aggregate the whole market data and centrally conduct the netting.
<ESMA_QUESTION_SFTR_142>

Q143.   Do you consider that there should be one position report including both reconciled and non-
           reconciled data or that there should be two position reports, one containing only reconciled data
           and the other - one only non-reconciled data? What are the potential costs of the separation of
           above mentioned position reports? What are the benefits of the separation above mentioned
           position reports? Please elaborate.

<ESMA_QUESTION_SFTR_143>
The impact of splitting the position reports between reconciled and non-reconciled categories will be minor when compared to the considerable effort we believe will be required for the exposure and position calculation.
<ESMA_QUESTION_SFTR_143>

Q144.   Do you foresee any technical issues with the implementation of XSD in accordance with ISO
           20022? Do you foresee any potential issues related to the use of same cut-off time across TRs?
           Do you foresee any drawbacks from establishing standardised xml template in accordance with
           ISO 20022 methodology for the aggregation and comparison of data? Please elaborate.

<ESMA_QUESTION_SFTR_144>
We fully support the standardisation of data formats between trade repositories to facilitate the regulator access to and aggregation of such data. As an EMIR-authorised TR, UnaVista is already engaged in standardising EMIR data extracts onto ISO 20022 as part of the ESMA TRACE project. In order to allow sufficient processing and report generation time, we consider that the cut-off for data provision should be moved to noon on the day after the data has been reported. Ultimately, the provision of SFTR reports should be part of ESMA TRACE project and use the same standards and channels for both TRs and the regulators.
<ESMA_QUESTION_SFTR_144>

Q145.   Further to the aforementioned aspects, are there any other measures that have to be taken to
           avoid double counting? Please elaborate.

<ESMA_QUESTION_SFTR_145>
While TRs can check that there are not duplicates internally, it is not feasible to perform the same control between multiple TRs without exchanging all recoded data sets. We believe that the best way to avoid double-counting is for the regulators to collect the relevant data for the whole market and centrally perform market wide verifications.
<ESMA_QUESTION_SFTR_145>