

RDU

The SmartStream Reference Data Utility

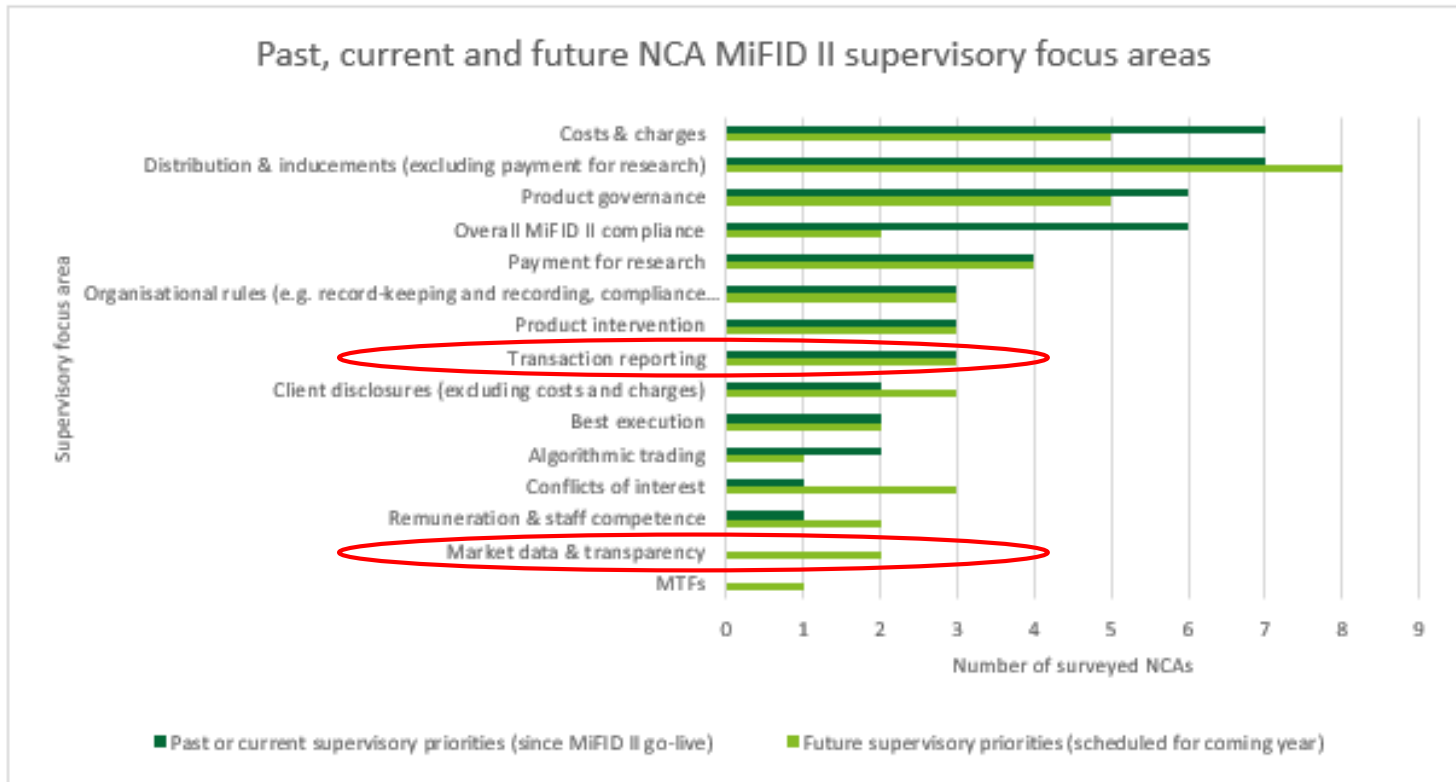
Trade and Transaction Reporting - The Journey Continues

Where is the industry focus now?

Peter Moss - CEO, SmartStream RDU

- MIFID II / MIFIR was a massive undertaking for the industry
- A primary goal of MIFID II / MIFIR was *transparency*
 - For the regulators through *Transaction Reporting*
 - For the market through *Pre-Trade Price Transparency and Post-Trade Reporting*
- A series of issues have conspired to get in the way
 - Delays - e.g. SI Mandatory regime for Derivatives
 - Poor Data Quality
 - BREXIT
- MIFID III?
- Consolidated Tape?
- So where are the regulators focused?





Survey by Deloitte - MiFID II 18 Months On

So transaction and trade reporting are not the primary focus yet, but enforcement actions will happen:

- FCA has fined two firms for reporting failure around MiFID I
- CFTC fined six firms for Dodd Frank reporting failures on Oct 1.

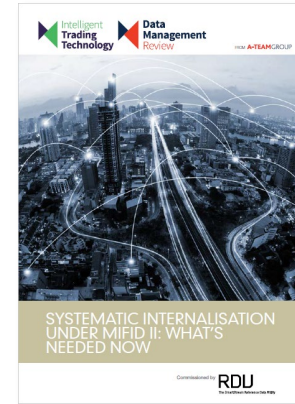
- Systematic Internalisers (SIs)
 - Bring transparency to Fixed Income and OTC Markets
 - Pre-Trade Price Transparency - Published quotes (real-time)
 - Post-Trade Reporting - Published trades (close to real time)

- From Jan 3rd to Sep 1st 2018 the SI Regime was voluntary
 - Approx. 75 firms opted in, initially

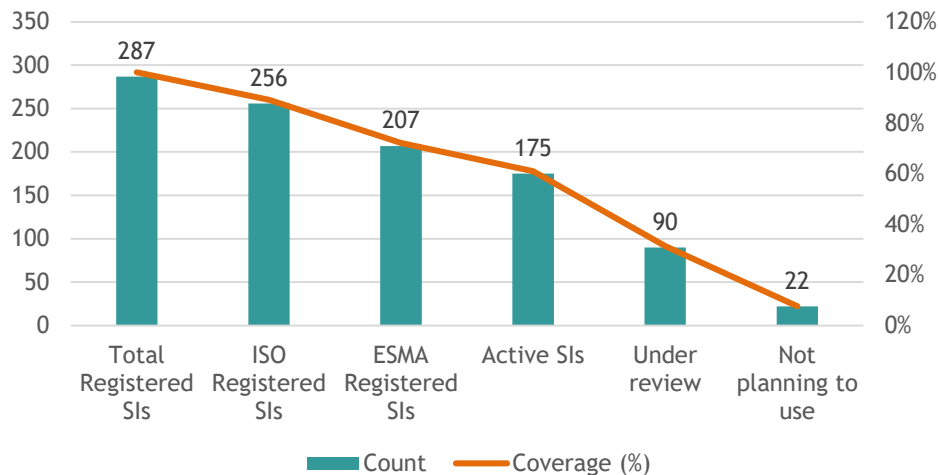
- From **Sep 1st 2018** that changed for Equities and Fixed Income and SI status became mandatory!
 - Those firms that trade sufficient volume in an instrument or a group of instruments to exceed a threshold set by ESMA **MUST** act as an SI in that instrument or group of instruments
 - But is anyone actually enforcing these rules?

- And the mandatory regime is still only partially implemented
 - Derivatives got a reprieve initially until **Mar 1st 2019** and then with BREXIT until some time in 2020.
 - BREXIT will have a fundamental impact on how volumes are measured, the thresholds applied, etc...

- So what does the SI landscape look like now?



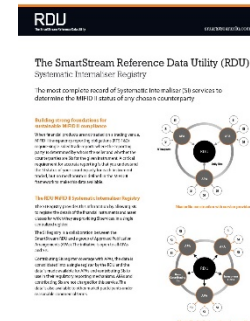
Systematic Internaliser Landscape



SI Status	Count	Coverage (%)
Total Registered SIs	287	100%
ISO Registered SIs	256	89%
ESMA Registered SIs	207	72%
Active SIs	175	61%
Under review	90	31%
Not planning to use	22	8%

Data from The SI Registry & a Survey of Registered SIs

- The landscape is now increasingly complex, particularly for OTC products
- There are a large number of execution options
 - By Geography
 - By Specialist Product
- BREXIT has complicated the picture further
- ONE industry source
 - Data maintained by the SIs
 - Granular detail by instrument or instrument class
 - Simple to use API
 - Daily Master File
- The SI Registry:
 - Essential to understand who should trade report
 - Valuable for broker selection (particularly in less mainstream markets)
 - Good indicator of liquidity for OTC instruments
 - Good indicator of best execution capability



- The Securities Financing Transactions Regulation (SFTR)
 - EU's response to the FSB's policy proposals on sec lending / repos
 - Response to a lack of visibility during the financial crisis, for regulators and supervisors trying to anticipate risks

- Focus is Securities Financing Transactions (SFTs)
 - Transactions where securities are lent or borrowed for a fee
 - Includes repurchase agreements (repos), securities lending activities, and sell/buy-back transactions
 - Heavy impact on collateral management activities

- About 10,000 firms are in scope:
 - Any European firm engaged in SFTs
 - Any European branch of a non-European firm
 - Includes buy-side, sell-side and also non-financial firms

- Both parties to a transaction must report:
 - T+1 to an ESMA registered Trade Repository

Key Dates for SFTR Specification and Implementation

August 2013	Financial Stability Board (FSB) publishes its 'Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos'
January 2016	EU Regulations (2015/2365) on SFTR come in to force
March 2017	ESMA's final report on technical standards for implementing SFTR published
May 2019	ESMA consulted on 'Future Reporting Guidelines under SFTR'
Q3 2019	ESMA reviews industry consultation feedback
Q4 2019	ESMA expected to publish final report on Guidelines on Reporting under SFTR
April 14, 2020	Reporting go-live date for banks and investment firms
July 13, 2020	Reporting go-live date for CCPs and CSDs
October 12, 2020	Reporting go-live date for insurance firms, UCITs, AIFs and pension funds
January 11, 2021	Reporting go-live date for non-financial entities

Go Live - 14th April 2020

6 months from now

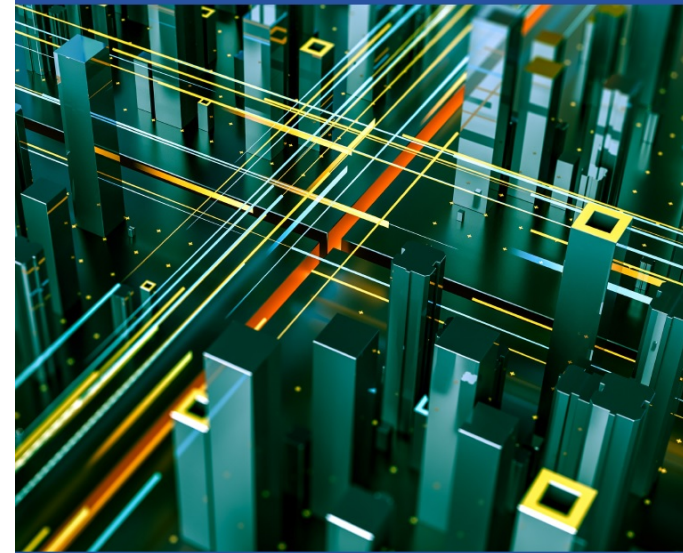
- Transaction reports include 143 attributes, including
 - Transaction Details including a UTI
 - Counterparty Details including LEIs
 - Security details - reference data for the security that was traded

- The SFTR focus for most firms is on ensuring that the transactional elements of the SFTs are captured and populated effectively

- Many firms have not focused on the Security Reference Data
 - PLEASE DO NOT LEAVE THIS TOO LATE!
 - The fields required need to be derived from many industry sources including ESMA, ANNA, GLEIF, ISO, Ratings and Index providers.
 - Acquiring, normalizing and integrating the complete set will not be easy
 - Non-standard derivations are required
 - Data must match with the counter-party's transaction report
 - And history will almost certainly be required for corrections

- White Paper available @ a-teaminsight.com →

Addressing the Reference Data Challenges of SFTR



commissioned by **RDU**
The SmartStream Reference Data Utility

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SFTR - The Reference Data Challenge

Important for corrections


Needs agreement between counterparties - Rating Agency sourced

Non-EU Issuers may not have LEIs

Range of complexities here - but MEQU / OEQU are probably the most concerning

Attribute Name	Attribute Definition
Effective Date	Effective date of the reference data set to be used.
Security/collateral identifier	Identifier of the security/collateral (ISIN) subject of the SFT.
Classification of a security/collateral	CFI code of the security/collateral subject of the SFT.
Currency of nominal amount	In the case where nominal amount is provided, the currency of the nominal amount shall be populated in this field.
Security/collateral quality	Code that classifies the credit risk of the security/collateral: 'INVG' – Investment grade 'NIVG' – Non-investment grade 'NOTR' – Non-rated
Maturity of the security/collateral	Maturity of the security/collateral.
Jurisdiction of the issuer	Jurisdiction of the issuer of the security/collateral. In case of securities issued by a foreign subsidiary, the jurisdiction of the ultimate parent company shall be reported or, if not known, jurisdiction of the subsidiary.
LEI of the issuer	LEI of the issuer of the security/collateral.
Security/collateral type	Code that classifies the type of the security/collateral: 'GOVS' - Government securities 'SUNS' - Supra-nationals and agencies securities 'FIDE' - Debt securities (including covered bonds) issued by banks and other financial institutions 'NFID' - Corporate debt securities (including covered bonds) issued by non-financial institutions 'SEPR' - Securitized products (including CDO, CMBS, ABCP) 'MEQU' - Main index equities (including convertible bonds) 'OEQU' - Other equities (including convertible bonds) 'OTHR' - Other assets (including shares in mutual funds)

- Focus on your business challenges and leave the security reference data complexity to the experts
- Simple to use high-throughput cloud based API service
 - Delivers the data that you need for each security
 - In the form that the regulation requires
 - All derivations covered for you
- Data updated daily with 5 years of history
 - History is also available through the API
- Web-based User Interface for manual investigations
- SmartStream RDU - The Reference Data specialists



RDU
The SmartStream Reference Data Utility

smartstreamrdu.com

The SmartStream Reference Data Utility (RDU) SFTR Service

The complete set of instrument reference data to support Securities Financing Transaction Regulation (SFTR) transaction reporting requirements

Executive summary

The European Union's Securities Financing Transactions Regulation (SFTR) requires banks and investment firms to start reporting transactions from 14 April 2020 and many firms are now focused on preparing for that date.

Both counterparties of a Securities Financing Transaction must report that transaction to a registered Trade Repository (TR) on a T + 1 basis, compiling a comprehensive report that includes the details of the transaction, the counterparties and the specifics of the security involved.

The security reference data fields that are required for a complete SFTR transaction report need to be derived from a variety of different industry sources, through a complex set of mappings and history needs to be retained to support back-loading, enable necessary reporting corrections and underpin an auditable control framework.

The SmartStream RDU SFTR reference data service removes the complexity of sourcing and deriving the instrument reference data that you need for SFTR. You simply identify the instrument that is the subject of the Securities Financing Transactions (SFTs), make a simple call to a cloud-based API and the SmartStream RDU returns the fields that you need to complete the SFTR transaction report before submission to the Trade Repository. Data is updated daily and 5 years of history is retained and accessible through the APIs to support back-loading, corrections and your control framework.

Simplify your SFTR reporting requirements with complete, accurate and timely security reference data from the SmartStream RDU, the reference data specialists.

What is SFTR?

The Securities Financing Transactions Regulation is the European Union's response to the Financial Stability Board (FSB)'s policy proposals on securities lending and repos (repurchase agreements). These proposals followed a recognition that during the financial crisis, regulators and supervisors had difficulty anticipating risks in securities financing, due to a lack of data.

SFTs are transactions where securities are lent or borrowed in exchange for cash including a financing fee. This includes repurchase agreements (repos), securities lending activities, and sell/buy-back transactions. In each of these, ownership of the securities temporarily changes hands.

The SFTR regulation imposes conditions on the 'reuse' of financial instruments which have been provided as collateral; requires investment funds to disclose details of the use of SFTs to their investors; and requires both counterparties to an SFT to report the transaction to an ESMA registered Trade Repository.

