
TO : Regulated Entities
i. Cyprus Investment Firms
ii. UCITS and their Management Companies
iii. Alternative Investment Funds and their Managers
iv. Non-Financial Counterparties¹
v. Central securities depositories

FROM : Cyprus Securities and Exchange Commission

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CIRCULAR No : C346

SUBJECT : Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse - Reporting obligation provisions

The Cyprus Securities and Exchange Commission ('CySEC') wishes to herein remind the Regulated Entities of the requirements under the Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse (['SFTR'](#)), particularly with regards to the reporting obligation.

SFTR is a principal regulation that seeks to improve the transparency of the pan-European securities financing markets, and de facto of the underlying financial system as a whole. The framework created by SFTR ensures equivalent conditions of competition and international convergence across the European Union. Under this framework, details of securities financing transactions ('SFTs') can be efficiently reported to trade repositories (TRs), and information on SFTs and total return swaps can be disclosed to investors in collective investment undertakings.

A. Regulatory framework

1. The regulatory framework relating to the transparency of SFTs and of reuse is covered in the following documents:

- i. [SFTR](#).

¹ Non-financial counterparty means an undertaking established in the Union other than the entities referred to in Article 2(1) and 2(8) of EMIR, which refer to the terms of 'CCP' and 'financial counterparty' respectively. The term 'undertaking' is defined in the [European Commission FAQs](#) no. II(14) as "... any entity engaged in an economic activity, regardless of the legal status of the entity or the way in which it is financed... As regards the concept of "economic activity", the Court has considered that any activity consisting in offering goods and services on a market is an economic activity, regardless of the entity's legal status and the way in which it is financed. Non-profit entities are also considered "undertakings" if they offer goods and services in the market. Individuals carrying out an economic activity are also considered to be undertakings, provided they offer goods and services in the market...".

- ii. Commission Delegated Regulation (EU) [2019/463](#) with regard to the list of exempted entities.
- iii. Commission Implementing Regulation (EU) [2019/365](#) with regard to the procedures and forms for exchange of information on sanctions, measures and investigations.
- iv. Commission Implementing Regulation (EU) [2019/364](#) with regard to the format of applications for registration and extension of registration to TRs.
- v. Commission Implementing Regulation (EU) 2019/363 with regard to the format and frequency of reports on the details of SFTs to TR ('[Regulation 2019/363](#)').
- vi. Commission Delegated Regulation (EU) [2019/359](#) specifying the details of the application for registration and extension of registration as a TR.
- vii. Commission Delegated Regulation (EU) [2019/358](#) on the collection, verification, aggregation, comparison and publication of data on SFTs by TRs.
- viii. Commission Delegated Regulation (EU) [2019/357](#) on access to details of SFTs held in TRs.
- ix. Commission Delegated Regulation (EU) 2019/356 specifying the details of SFTs to be reported to TRs ('[Regulation 2019/356](#)').
- x. [Commission Frequently Asked Questions on SFTR](#).
- xi. The Consultation Paper On Guidelines for reporting under Articles 4 and 12 SFTR ('the [Draft Guidelines](#)')
- xii. The [validations rules](#) applicable to SFTR reports as well as the XML schemas reporting entities should use, including:
 - a. [Counterparty and TR data exchange](#);
 - b. [Intra-TR data exchange](#); and
 - c. [TR to authority data exchange](#).

B. Key provisions of SFTR

2. The SFTR lays down rules on the transparency of SFTs and of reuse.

3. SFTs means:

- i. a repurchase transaction;
- ii. securities or commodities lending and securities or commodities borrowing;
- iii. a buy-sell back transaction or sell-buy back transaction;
- iv. a margin lending transaction.

Reuse means the use by a receiving counterparty (in its own name and on its own account or on the account of another counterparty) including any natural person, of financial instruments received under a collateral arrangement, such use comprising transfer of title or exercise of a right of use in accordance with Article 5 of Directive 2002/47/EC but not including the liquidation of a financial instrument in the event of default of the providing counterparty.

For further details on the definitions, please refer to article 3 of SFTR.

4. SFTR applies to counterparties to an SFT; management companies of UCITS, and managers of AIFs and counterparties engaging in reuse. For further details, please refer to article 2(1) and 3 of SFTR.

5. In order to serve its purposes, SFTR provides for the reporting of details regarding SFTs conducted by all market participants, whether they are financial or non-financial

entities. In particular, Article 4 of SFTR states that: “(1) Counterparties to SFTs shall report the details of any SFT they have concluded, as well as any modification or termination thereof, to a trade repository registered in accordance with Article 5 or recognised in accordance with Article 19. Those details shall be reported no later than the working day following the conclusion, modification or termination of the transaction.

...

(3) Where a financial counterparty concludes an SFT with a non-financial counterparty which on its balance sheet dates does not exceed the limits of at least two of the three criteria laid down in Article 3(3)² of Directive 2013/34/EU, the financial counterparty shall be responsible for reporting on behalf of both counterparties.

Where a UCITS managed by a management company is the counterparty to SFTs, the management company shall be responsible for reporting on behalf of that UCITS.

Where an AIF is the counterparty to SFTs, its AIFM shall be responsible for reporting on behalf of that AIF.”

6. Regulation 2019/363 lays down implementing technical standards on the format and frequency of reports on the details of SFTs to trade repositories. The main provisions of the Regulation 2019/363 are the following:

i. Data standards and formats of SFT reports

According to Article 1 of Regulation 2019/363, the reports shall be provided in accordance with the standards and formats specified in Regulation 2019/363, in a common electronic and machine-readable form and in a common XML template in accordance with the ISO 20022 methodology.

ii. Identification of counterparties and other entities

According to Article 2(1) of Regulation 2019/363, legal entity identifiers (‘LEIs’) shall be the only means allowed for the purpose of identification of legal entities.

iii. Unique trade identifiers (‘UTIs’)

According to Article 3 of Regulation 2019/363, criteria are established for the generation of UTIs so as to avoid counting the same transaction twice.

iv. Counterparty side

According to Article 4 of Regulation 2019/363, the counterparty side to the SFT shall be determined by the type of transaction.

7. Regulation 2019/356 specifies the details of SFTs to be reported to trade repositories. The main provisions of the Regulation 2019/356 are the following:

i. Cleared trades

a. According to Article 2(1) of Regulation 2019/356, existing contracts subsequently cleared by a CCP shall be reported as terminated and the new contracts resulting from clearing shall be reported.

²a) balance sheet total: EUR 20 000 000; (b) net turnover: EUR 40 000 000; (c) average number of employees during the financial year: 250.

- b. According to Article 2(2) of Regulation 2019/356, where a contract is both concluded on a trading venue and cleared on the same day, only the contracts resulting from clearing shall be reported.

- ii. Reporting of exposures

According to Article 3 of Regulation 2019/356:

- a. Detailed information on collateral shall be reported.
- b. Where specific details of the collateral are not known on the day of the trade, counterparties shall update information on the collateral as soon as that information becomes available to the counterparties, and no later than the working day following the value date of that SFT.
- c. Counterparties shall report to the trade repositories the International Securities Identification Number ('ISIN') of any collateral basket they use to provide collateral to an SFT, if that basket has an ISIN.

8. The Draft Guidelines include general principles that apply to SFT reporting, including how the reports should be constructed and where the reports should be sent. The Draft Guidelines provide clarity and a harmonised implementation on the following aspects:

- i. the number of reportable SFTs;
- ii. the population of reporting fields for different types of SFTs;
- iii. the approach used to link SFT collateral with SFT loans;
- iv. the population of reporting fields for margin data;
- v. the population of reporting fields for reuse, reinvestment and funding sources data;
- vi. the management by counterparties of feedback from TRs, namely in the case of:
 - rejection of reported data; and
 - reconciliation breaks
- vii. the provision of access to data to authorities by TRs.

Furthermore, the Draft Guidelines detail the rejection and reporting feedback that TRs will provide to counterparties and how the latter should deal with it.

C. SFTR reporting go-live timeline

9. The SFTR reporting obligation shall apply to Regulated Entities from:

- 11 April 2020 for Investment Firms and third country entities which would require authorisation or registration in accordance with Directive 2014/65/EU;
- 11 July 2020 for Central Counterparties (CCPs) and Central Securities Depositories (CSDs) and third country entities which would require authorisation or registration in accordance with Regulations (EU) 648/2012 or 909/2014;
- 11 October 2020) for UCITS, Management Companies, Alternative Investment Funds managed by AIFMs and third country entities which would require authorisation or registration in accordance with Directives 2009/65/EC or 2011/61/EU;
- 11 January 2021 for Non-Financial Counterparties.

D. What should Regulated Entities do as a result of the new provisions

- 10.** Regulated Entities must take action to ensure their compliance with the enhanced obligations ahead of the dates mentioned at point C above. More specifically, they must:
- i. Consider the products traded to identify which of them are within the scope of SFTR Reporting;
 - ii. Amend their systems and procedures and in general, take all necessary actions in order to report transactions in accordance with the SFTR reporting requirements;
 - iii. Obtain legal entity identifiers if they do not already have and ensure that all their clients, which are legal entities, have also obtained LEIs.

Sincerely,

Demetra Kalogerou
Chairman
Cyprus Securities and Exchange Commission