SFTR - The Regulation, the Challenges and our Solution
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1. REGIS-TR overview
REGIS-TR overview

1.1 About us

Trade Repository

- REGIS-TR is a central trade repository for reporting trades and transactions covering all types of derivatives (i.e. ETD and OTC) across multiple product classes and jurisdictions with the aim:
  - Simplify regulatory reporting obligations for its customers as much as possible
  - Offer regulatory reporting to one entity in order to comply with the full range of EU and European financial reporting requirements
- REGIS-TR is a truly European Trade Repository with high quality services and relationship management support from multiple locations and in multiple European languages.

Core services

- Offer reporting services under EMIR and FinfraG regulations
  - 1,700 individual client accounts reporting on EMIR and FinfraG
- Offering SFTR reporting services in 2020 and potentially Dodd Frank reporting service in the future
  - Collect and administer details of reported transactions
    - 19 bn reported trades since February 2014
    - 30 – 50 mio trade reports per week
  - Provide access to data to the relevant Regulators (ESMA, FINMA,…)
    - Access being granted to 43 European Regulators

Shareholder Structure

- REGIS-TR was founded on 9 December 2010, and is incorporated and headquartered in the Grand Duchy of Luxembourg.
- REGIS-TR is a joint venture launched by the Spanish CSD, Iberclear Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (referred to as “Iberclear”) and Clearstream Banking S.A. (referred to as “Clearstream”).

Customers

- REGIS-TR Trade Repository is open to financial and non-financial institutions
- Main customer types are:
  - Banks
  - Corporate institutions
  - Other Financial Institutions, e.g. CCPs and Stock Exchanges

Bolsas y Mercados Españoles

Iberclear

Iberclear

Deutsche Börse Group

Clearstream

50%
2. SFTR timeline and Main challenges
SFTR timeline and scope

2.1 Timeline

Trade repository reporting for SFTR is estimated to begin in **Q2 2020** with a **phased-in approach** depending on the counterparty classification.

**What is SFTR?**
- **SFTR** = Securities Financing Transaction Regulation
- Drawn on EMIR implementation infrastructure and supervised by ESMA
- Aims at providing increased transparency on the use of securities financing transactions in the market

**Geographical scope**
- Applies to all EU financial and non-financial counterparties
- Including all branches irrespective of their location
- Third country entities are also required to report, if the SFT is concluded by an EU branch

**Product scope**
- Repurchase transactions
- Lending and borrowing transactions
- Sell/Buy – back transactions
- Margin lending transactions
- Collateral swaps
- Liquidity swaps
- Does not include derivatives as these are under EMIR
- SFT reported under SFTR are exempt from MiFIR
- SFT transactions concluded with the European System of Central Banks reportable under **MiFIR** once SFTR reporting starts

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<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2016</td>
<td>12 January: Entry into force of SFTR</td>
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<td>2017</td>
<td>Q1: Submission of RTS by ESMA within 12 months after the entry into force of SFTR</td>
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<tr>
<td>2018</td>
<td>11 April: Entry into force of final RTS</td>
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<td>2019</td>
<td>13/04/2020: Reporting start date for investment firms and credit institutions (12 months after the application of the RTS)</td>
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<tr>
<td>2020</td>
<td>13/07/2020: Reporting start date for CCPs and CSDs (15 months after the application of the RTS)</td>
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<td></td>
<td>12/10/2020: Reporting start date for other financial counterparties: insurance/reinsurance undertakings, UCITS ManCos; AIFMs (18 months after the application of the RTS)</td>
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<tr>
<td>2021</td>
<td>11/01/2021: Reporting start date for non-financial counterparties (21 months after the application of the RTS)</td>
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**SFTR timeline and scope**

**Phased-in approach**
Submissions to TR only in ISO 2022 XML format
• Each report needs to be complete and fully formed: successful creation guarantees the quality of a great deal of data.

ISO 20022

• Correct LEI identification of entities for all entities (even outside of Europe)
• Over a dozen fields require LEI, all need to be maintained
• LEI of NFC must be always in correct status

LEI

• UTI creation and sharing
• Timing of UTI generation

UTI

• Inter-departmental interoperability is a must.
• Repo and Lending desks are usually different departments.
• Improvement and Maintenance of Data Management

Internal Coordination

• The reporting of all required data on T+1 will be extremely challenging
• Especially in the context of ALD a timely reporting

Time Challenges

The required data does not reside in one single place
• Market participants will require intermediaries to help them complete their reporting obligations
• No single intermediary has all of the data

Data Fragmentation

• Reporting of all the lifecycle and post-trade events that are part of SFT trading
• Automatic and complete sending of the reports.
• Data archiving of 5 years

Lifecycle Events

2.2 The main challenges of transactions reporting
3. The REGIS-TR SFTR reporting solution
3.1 SFTR application timeline and approach

2019
- **April**
  - Release 1:
    - Launch of Pre-UAT

- **May**
  - Level 2 ITS/RTS Published

- **September**
  - Application file to ESMA

2020
- **October**
  - Release 2:
    - Full Rollout of Website
    - Client Report validation
    - Full Feedback provided on all client reports
    - Intra-TR reconciliation

- **July**
  - Reporting start date wave 2

- **April**
  - Reporting start date wave 1

- **October**
  - Reporting start date wave 3
SFTR reporting solution

3.2 REGIS-TR as natural choice for SFTR

Identification of 4 major target groups for SFTR flows generation

1. From internal group entities having a reporting obligation (i.e. DBAG, BME)
2. From clients of internal group entities - delegated reporting services
3. Directly from external clients
4. Directly from service providers reporting on behalf of market participants

- REGIS-TR is the only TR with significant “group-own” reporting obligation for securities lending and repo (Clearstream, Eurex, BME)
- REGIS-TR will also support the delegated reporting services through its fully flexible account model
- The combination of SFT regulatory reporting and collateral management expertise make us truly unique in this space
- Our flexible account and pricing models make us the TR of choice for both direct and delegated reporting
- REGIS-TR has a proven model of interoperability with leading market intermediaries that will also be in place for SFTR
Clients have the possibility to report directly or on behalf of a market participant

- **Reporting Participant (RS):** Is Direct Counterparty to an SFT. Reports for himself, and possibly also for its counterparty

- **Third Party (TS or ES):** Reports on behalf of direct counterparties to the trade

- **Non Reporting Entities (NE):** Read-only access to the reported transactions in Regis-TR database

- **Superuser:** Read-only access to reported data in Regis-TR database of multiple participants under his management

* All four account types leave the possibility to connect its own systems as well as an external system to operate the account on behalf of the account owner.

Additionally, REGIS-TR continues to set up partnerships with leading market intermediaries offering SFTR solutions. Our current partners include Equilend/Trax, FIS, IHS Markit/Pirum, etc...

Solutions offered by these providers include UTI generation, data management, data enrichment and pre-reconciliation.

The entity responsible for reporting will have the option to open an account, depending on:

- Their preferred reporting model
- Appetite to retain direct control
- Desired service levels
- Technical abilities
3.4 SFTR reporting streams

**Possibility to report directly or through delegation**

- **SFTR data reporting file** (XML – ISO20022)
  - SFTP
  - Web Service
  - SWIFTnet
  - GUI

Flexible connection and connectivity channels (manual or automatic upload)

**Data is fully segregated from shareholders**

- **File and data validation**
- **Data record-keeping**
- **Publication** of data in aggregated and anonymised form via the REGIS-TR website
- **Reconciliation performance**
  - **Intraday reports:**
    - SFT status advice feedback
    - SFT delegation file status advice feedback
    - SFT portability report
  - **End of Period Reports:**
    - Summary of reported messages
    - Full data set of active trades as well as main details
    - KPI reports
    - Rejection Statistics

Free access to data retained by REGIS-TR on a daily basis

Free access to data retained by REGIS-TR upon request

ESMA

National Competent Authorities
SFTR reporting solution
3.5 Delegation model (1/3)

No mandatory Onboarding of Underlying clients.
Proof of Delegation Authorisation by simple file upload:

REGIS-TR
- Must per ESMA indication, control the authorisation of an account owner obtained when reporting on behalf of market participants
- Implement the corresponding delegation control

Delegating entities (RSs and NEs)
- Report Submitting Entities upload into Regis-TR system a CSV file listing the LEIs of the entities from which they received the delegation.
- Entities Responsible for reporting upload a delegation confirmation CSV file into the Regis-TR system in case they chose to open an account.

Onboarding of Underlying clients.
### SFTR reporting solution

#### 3.5 Delegation model (2/3)

**Counterparty delegation**

- RS account holder reports on its own behalf and/or on behalf of its counterparty
- RSs and NE account holders have access to the counterparty data section and the common data of the trade reported

**Counterparty**

- **Reporting Participant A/c (RS)**
  - Own reporting

- **Counterparty 1**

- **Counterparty 2**

- **Optional**

- **Non-Reporting Participant A/c**

**Direct Reporting**:
- Queries
- End of Period + Intraday reports

**Queries**: End of Period + Intraday reports

**Direct Reporting + Queries + End of Period + Intraday reports**
SFTR reporting solution
3.5 Delegation model (3/3)

Third Party delegation

- A Third Party (TS or ES) reports on behalf of one or both counterparties to the trade
  - RSs and NE account holders will have access to the counterparty data section and the common data of the trade reported
  - Third Party will have access to the common data section reported on behalf of RS and NE

- Reporting on behalf of Counterparty 1
- Reporting on behalf of Counterparty 2
- Optional
- Reporting Participant A/c
- Non-Reporting Participant A/c

Direct Reporting
Queries
End of Period + Intraday reports

- Queries
- End of Period + Intraday reports

Direct Reporting + Queries + End of Period + Intraday reports
SFTR reporting solution
3.6 SFTR member area and environments

**UAT Environment**
- Our test environment includes **new functionalities** that will be deployed at a later stage in the production environment
- Allows REGIS-TR customers to test their reporting files taking into account any new functional changes related to the SFTR regulation (e.g.: revised SFTR Technical Standards)

**Pre-Production Environment**
- Our pre-production environment is a test environment that **mirrors** our production environment **at any time**
- **Unique offering amongst TRs**
  - Provided to all accounts in the production environment

**Production Environment**
- Our production environment is an environment where customers reporting files are processed on real-time basis
- Allows REGIS-TR customers to submit their reporting files to meet their reporting obligations
4. Single user interface project
Single user interface project
Project underway to create state-of-the-art GUI

- Improving User Experience of our customers, not just aesthetically, but by providing enhanced tools allowing greater self-service
- Creating a single look-and-feel across all REGIS-TR reporting services, leveraging current design trends, to create a fresh, modern and intuitive User Interface (UI)
- Ensuring we stay ahead of the curve in design and functionality versus our competitors in the TR and regulatory reporting space
- Offering an additional suite of value added reports and management information

- Further solidifying our commitment to be the TR with best-in-class service support
We are your first choice

SFTR training courses
• Offered in partnership with Market FinReg, the leading financial regulation consultancy
• Training in class or online
• Ask about on-site training
• 20% discount for REGIS-TR clients

REGIS-TR SFTR Implementation Group
• Working Group for Clients and service providers (eg Markit, Equilend)
• Platform for discussing challenges and solutions
• Full REGIS-TR presence and support

Our emphasis is on the Client

SFTR Webinar
• Tailor-made online training for our system users
• Step-by-step presentation of system functionalities
• Available to users 24/7.

Support from Relationship Manager
• Dedicated support from your Relationship Manager
• User Group meetings in several European locations
• Updates on regulatory developments and system enhancements.

Our SFTR Support Team
• Expert support team with extensive experience in EMIR reporting and SFTR regulation
• Assigned Single Point of Contact to oversee your reporting activity and help resolve any issues
• Full support from start of testing on
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