

# Securities Financing Transactions Regulation (SFTR)

## Clearstream offering in context of SFTR



# Agenda

2 SFTR – High level overview

---

3 Clearstream – SFTR context

---

5 Securities Lending & Borrowing

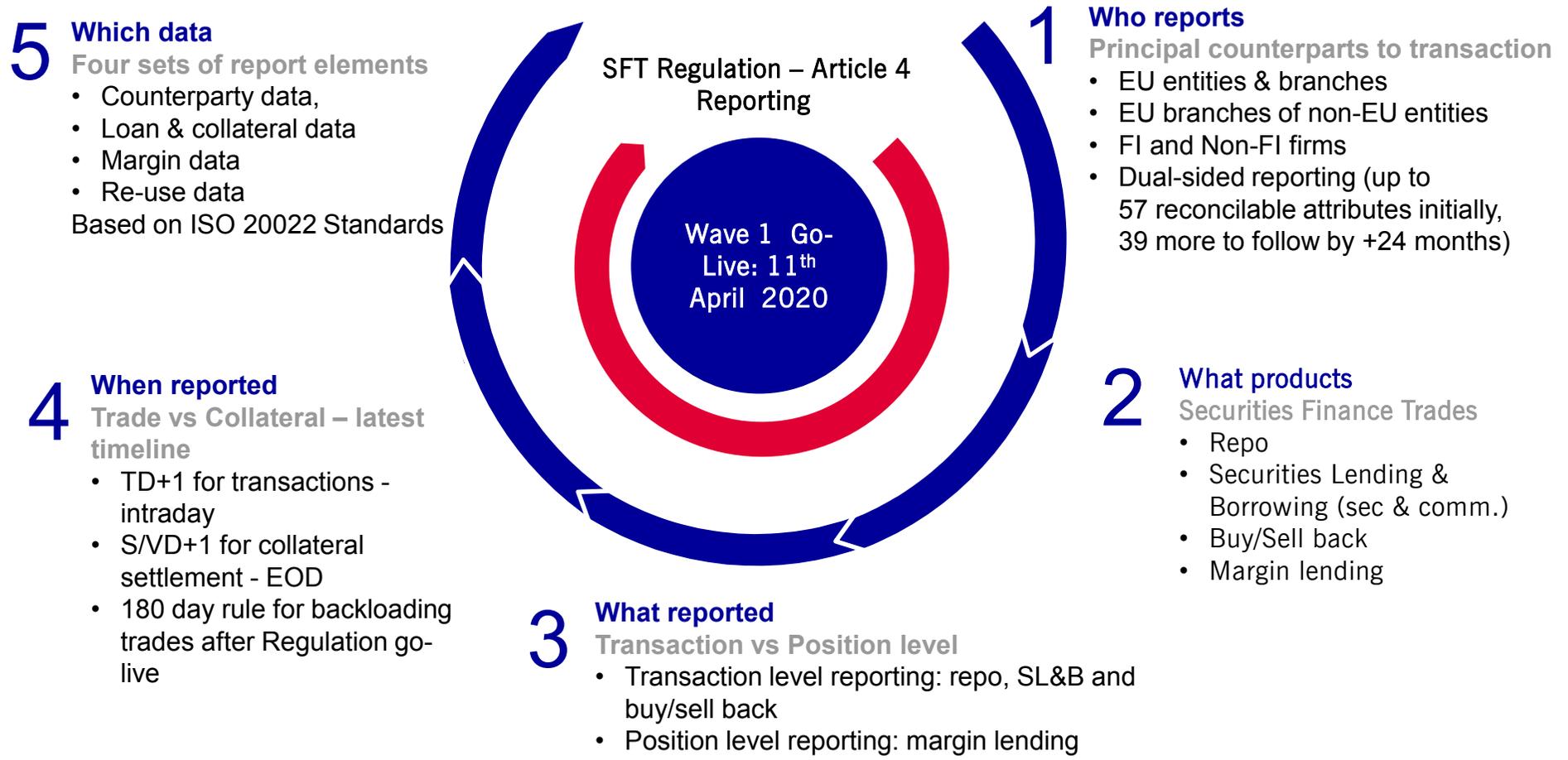
---

8 Triparty Collateral Management

---

# Securities Financing Transaction Regulation

## High level overview



---

# Clearstream in the context of SFTR

## Securities Lending & Borrowing

Acting as principal, Clearstream is looking at “SFT” (Securities Financing Transaction) reporting as follows:

- For **ASLplus** (and ASLprincipal), where Clearstream acts as principal, it is mandatory to fulfil our own SFTR reporting obligations
- For **ASL**, Clearstream in its role as guarantor becomes (for SFTR reporting purposes) the counterparty for both lending and borrowing leg of the transaction. Customers shall again only face Clearstream as counterpart, with no further disclosure beyond

Clearstream is developing a solution to fulfil its own reporting obligations and to offer a “delegated reporting” service.

## Triparty agent: Collateral information provider

Acting as triparty collateral agent (TPA), Clearstream does not have own reporting obligation however aims at supporting customers in relation to their collateral and re-use data within triparty environment.

Directional approach:

- Delivery of new SFTR focused customer reports: **Collateral Allocation Report** and **Collateral Reuse Report**

As a TPA, Clearstream is not in a position to offer any delegated reporting or enrichment services.

---

# Clearstream SFTR Offering

## Modular Approach

Depending on customer's activity within Clearstream, access to different solution offerings, at own selection and service subscription, leverage of existing user experience and connectivity channels.

### 1. Delegated reporting services

Delegated SFTR reporting for ASL, ASLplus (and ASLprincipal) transactions to customer's choice of Trade Repository (TR)



### 2. Supporting service

- UTI generation at moment of trade execution
- System enhancements to support multiple methods for UTI sharing
- Enhancement of existing SL&B reports to better support own reporting capabilities



### 3. Triparty Collateral Management

Triparty collateral management reporting:

- Clearstream Luxembourg (CBL)
- Clearstream Frankfurt (CBF)

Focus on customer's obligation to fulfill reporting obligation, in a timely manner

---

# Securities Lending & Borrowing (1/3)\*

## Key Considerations

- Cannot work in isolation – In order for entities to be aligned for the **dual-sided** nature of the reporting regulation (when both are in-scope), an understanding of each other's chosen solution/approach needs to be communicated. In addition, specific fields (some being optional) will need to be agreed/shared in advance
- Information sharing – A **questionnaire** was sent out in early December 2019 to our counterparties as part of our 'outreach' exercise, to confirm the list of static values (e.g. a set of LEIs, master or other agreement type, branch country - if applicable, etc.). These static data will be stored within each other's solution (and from time to time need to be updated/maintained), then utilised during the SFTR reporting. The questionnaire will also provide an opportunity to share details of each other's intended solution (eg. preferred UTI sharing option[s] ) and/or indicate any interest in our planned 'delegation service' (see next slide)
- Technical solution – Clearstream will be leveraging a 3<sup>rd</sup>-party vendor / reporting intermediary SFTR service from the joint **IHS-Markit/Pirum** offering to assist us with our reporting flow. There are though a number of other such vendor/intermediary solutions available for entities to use (if they so desire)
- Trade Repository of choice – Clearstream will be reporting its SFTs to **REGIS-TR** as our selected Trade Repository (TR). There are though a number of other TRs available for entities to select (eg. DTCC)
- Maintaining 'oversight' – All in-scope entities will need to be actively monitoring their SFTR reporting flows with focus on issues resulting from 'pairing' and 'matching' (ie. reconciliation) breaks. Note, this doesn't go away if they delegate

---

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

---

## Securities Lending & Borrowing (2/3)\*

### Delegated Reporting Service

- Currently for ASL, ASLplus (and ASLprincipal) SFTs only. Participants will be able to opt-in for the delegation service on a per individual product basis (note, Clearstream does not intend to offer a delegation service for KAGplus)
- Submission of SFT reports to the TR of your choice, through technical mirroring by IHS-Markit
- Includes all loan and collateral data SFTR reporting, though reuse data reporting cannot be delegated (though assistance is provided via end of day TPA reports and the MT535)
- Monitoring/Oversight available to the delegator via multiple sources:
  - Clearstream's standard securities lending customer reports (eg. SLBCR, SFCR, MT54x, MT536)
  - IHS-Markit's 'Client Access' UI
  - TR access via their selected TR's own UIs

#### Key benefits:

- Removing the reporting burden for the selected SecLending product(s) where you choose to delegate, plus should see 100% reconciliation rates
- A solution that continually evolves to keep track with any regulatory driven required enhancements

#### Other considerations:

- A new delegation contract with Clearstream will be required (based on the industry association's 'MRRA' – Master Regulatory Reporting Agreement)
- There will be a charge for subscribing to this delegation service. Publication of the fee model is imminent, the plan being to charge on a per message basis but with a minimum fee also applicable (likely set at EUR 500) per account per month

---

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

---

# Securities Lending & Borrowing (3/3)\*

## Supporting Services (for Non-Delegators)

### UTI generation

The approach we would like to take is that as the golden source for all the loan activity the counterparty face with Clearstream, we are best placed to be the UTI generator. This also being in line with ISLA's guidance that the lender should be the ultimate UTI creator. As such since December 2018 we've been generating UTIs against every lender and borrower leg of every loan we create.

### UTI sharing

Clearstream is enhancing its existing systems to be able to share UTI with our counterparties in a timely manner so as to not disrupt their own ability to report. Here we are already developing solutions to support multiple techniques, with our customers utilising the one(s) that best suits their own needs and capabilities:

- i. For ASLplus loans borrowed over **EquiLend's NGT**, we'll put the UTI into the 'ORAC' acceptance message such that it'll be sent to them by EquiLend on their 'SHTT' (shared trade ticket) trade confirmation message
- ii. Through **IHS-Markit's** solution we will be utilising their pre-TR reconciliation functionality (hosted by **Pirum**). If entities are also using them to support their SFTR reporting, this process will allow for our UTI to be passed to them between paired trades. Even if you are not (what they call an 'NMO' – non-member organisation), a free read-only access called "**UTI Connect**" can be granted to you to access our data at Markit for consuming our UTI
- iii. We are upgrading our current usage of EquiLend's Unified Comparison (EL-UC) to their new "**EquiLend SFTR**" solution. If entities do similar then through this enhancement to their reconciliation process our UTI will be passed to them between paired trades
- iv. The UTI is being added into our **existing customer reporting** methods (i.e. MT54x, MT535, SLBC and SFCR [though this last report is only for available to our lenders] ) – this went live 1<sup>st</sup> week of **December 2019**
- v. For bilaterally agreed ASLplus loans borrowed, conducted via our Distribution Desk, the UTI will be added to the standard **Bloomberg 'chat'** message the Desk sends to entity's Traders as a deal confirmation

In addition, if within the SL&B industry other UTI sharing options gain significant momentum, we will endeavor as best we can to also support them (should there be demand from our customers)

---

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

---

# Triparty Collateral Management (1/3)\*

## SFTR Reporting Principals - Approach

### Scope

- All Securities Financing Transactions (SFTs) within triparty environment :
  - TRS, TCMS, TSLS 1 &2, GCPooling, Select Finance/Invest, Seclend Market, eTriparty, etc.
- Triparty agent will not apply any pre-selection on any transaction executed within triparty environment
- Collateral type focuses on “cash & securities”
- There is no enrichment service provided by any of the TPA (ie CBL or CBF)
- Depending on customers' business activity, information from Clearstream acting as TPA\*\* will be provided:
  - Clearstream Banking Luxembourg SA (CBL -ICSD)
  - Clearstream Banking AG (CBF - CSD)

---

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

\*\* For ASLplus, the TPA will be Clearstream International (CI)

# Triparty Collateral Management (2/3)\*

## SFTR Reporting Principals - Approach

### CBL Approach

- Delivery focus from CBL is on daily two reports supporting customer for their own reporting obligation, based on EOD value date:
  - i. Collateral Allocation Report: Information on confirmed collateral position
  - ii. Collateral Reuse Report: Raw data elements on collateral which has been re-used within triparty environment
- Reports will be provided following the last collateral allocation batch run for the day & will contain full-position (ie. no delta position reporting)
- Collateral Allocation Report will contain detailed information with regards to allocated & confirmed collateral position across all transactions and services which customers are active
- Collateral Reuse Report is only to be sent to customers acting as CGs and will leverage the received securities collateral to another SFT transaction. The report is provided per CG on ISIN basis. Aim is to provide the necessary data points which could enable customers to perform their own calculation and /or estimations for end reporting
- Reports will be part of the customer's reporting suite and follow similar subscription approach.
- Customers can also leverage the existing MT569 Triparty Collateral and Exposure Statement – Detailed version EOD for reporting purposes
- Information to access the reports: [Clearstream Connectivity Guide – CmaX](#)

---

(1) A 'Disclosure consent' requirement will be applicable in case of delivery to 3<sup>rd</sup> party vendors both from reporting outsourcing entity and their counterparts.

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

---

# Triparty Collateral Management (3/3)\*

## SFTR Reporting Principals - Approach

### CBF Approach

- Delivery focus from CBF is to encourage customers to leverage MT569 provided from Xemac
- In terms of identifying the reuse positions, customers can identify these positions as per below:
  - “Distinction between own and pledged securities is included in current MT569 detailed reporting  
Can be found in the subsequence with the Securities Details - Field 35B contains qualifier '/TYPE' with value "E"  
(own securities) or "T" (re-used from GC Pooling)”*
- Reports will be part of the customer's suite of reports and follow similar subscription approach. Set-up will allow customers to select their delivery points: i.e. collateral report can be sent to an intermediary /vendor selected by the customer or directly to the customer (\*\*)

---

\* Please be advised that Clearstream is in the process of developing this solution & information provided in this presentation is subject to change

\*\* Standard CBF reports like MT569 can be ordered by the account owner and sent to their own /other BICs in addition

# Triparty Collateral Management

## SFTR Reporting Principals

### KAG+/ LMS Customers

- For Borrowers: They can subscribe to Allocated Collateral (MT569) from Xemac, to capture their collateral information
  - For Lenders: Existing LMS report provides collateral quantity, price and HC information at fund level from Borrower perspective. Lenders can also coordinate with their Borrowers to access MT569. Any outsourcing or report delegation discussion is outside of Clearstream scope
-

# Triparty Collateral Management Connectivity

## Clearstream Luxembourg

Collateral Allocation Report & Collateral Reuse Report

- Format: Txt.
- Delivery timelines: EOD & available until COB next day
- Delivery Mechanism: Xact File Transfer /E-mail<sup>(1)</sup>

Triparty Collateral and Exposure Statement (MT569) from CmaX

- Format: ISO/PDF/XML/XLS
- Delivery timelines<sup>(2)</sup>: Intra-day and EOD
- Delivery Mechanism: SWIFTNet/ Xact File Transfer

## Clearstream Frankfurt

Allocated Collateral (MT569) from Xemac

- Format: ISO
- Delivery timelines: EOD
- Delivery Mechanism: Hob FT/MQ/ SWIFT

(1) Reports larger than 10MB cannot be delivered by e-mail

(2) For further details please refer to CBL Report Timings matrix

Concerning reporting fees, please consult respective Fee Schedules

# Contact Us



clearstream



DEUTSCHE BÖRSE  
GROUP



## Triparty Collateral Management

Banu Apers  
Banking, Funding & Financing (BFF)  
+352 243 36231  
[banu.apers@clearstream.com](mailto:banu.apers@clearstream.com)

## Securities Lending & Borrowing

Neil Davies  
Banking, Funding & Financing (BFF)  
+44 207 862 7010  
[neil.davies@clearstream.com](mailto:neil.davies@clearstream.com)

General correspondence: [SFTR@Clearstream.com](mailto:SFTR@Clearstream.com)

Lending specific: [SFTRLending@Clearstream.com](mailto:SFTRLending@Clearstream.com)

---

## Disclaimer

- *“This presentation is prepared for general information purposes only. The information contained herein is not intended to provide professional legal advice and should not be relied upon in that regard.*
  - *Readers should seek appropriate professional advice where necessary before taking any action based on the information contained in this document.*
  - *Clearstream makes no guarantees, representations or warranties and accepts no responsibility or liability as to the accuracy or completeness of the information, and under no circumstances will it be liable for any loss or damage caused by reliance on any opinion, advice or statement made in this document.*
  - *Information in this document is subject to change without notice.”*
-