



March 2019

## Reporting Obligations under SFTR

### Background

As readers will be aware, the [Securities Financing Transactions Regulation](#) entered into force in January of 2016. One of the stated aims of the SFTR is to improve the transparency of securities financing markets so as to allow both regulators and investors to monitor the risks and level of interconnectedness in the financial system arising from the use of securities financing transactions.

To this end, Article 4 of the SFTR imposes obligations on all relevant counterparties to report in-scope transactions to a trade repository, similar to the reporting obligations imposed on counterparties who enter into certain derivative contracts under the EMIR regime. A transitional period for this reporting obligation has applied to date.

The publication of [Implementing Regulation \[EU 2019/365\]](#) (the “Implementing Regulation”) in the Official Journal last week, which enters into force on 11 April next, now provides welcome certainty around the dates on which the reporting obligations will begin to apply to various categories of counterparties to SFT transactions.

### Effective date of reporting obligations

The below table sets out the date on which counterparties must begin to report securities financing transactions to a trade repository.

For further information on any of the issues discussed in this article please contact:



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Counterparty	Effective Date of Reporting Obligation
UCITS funds, AIF funds, AIFM and UCITS Management Companies	11 October 2020
Credit Institutions	11 April 2020
Investment Firms	11 April 2020
Insurance and reinsurance entities	11 October 2020
Central Counterparties and Central Securities Depository	11 July 2020

It is worth noting that the reporting obligations (and applicable timeframes) shall also apply to third country entities that would require authorisation or registration in accordance with the abovementioned EU legislation, if they were established in the EU.

The SFTR also helpfully confirms that in the case of externally managed UCITS and externally managed AIFs, the reporting obligations are imposed on the UCITS Management Company and the AIFM respectively. It also confirms that the reporting obligation may be delegated.

## Transactions falling within the scope of the reporting obligation

The reporting obligation relates to SFT transactions which are defined under the SFTR as:

- (a) repurchases and reverse repurchase transactions;
- (b) securities lending/commodities lending transactions
- (c) securities borrowing/commodities borrowing transactions;
- (d) margin lending transactions; and
- (e) “buy-sell back” transactions and “sell-buy back transactions.

Counterparties must report details of any SFT that they have concluded (and any modification or termination of an SFT) to the trade repository within one working day of concluding the transaction (i.e. by T+1).

## Next Steps

The clarity provided by the publication of the Implementing Regulation in the Official Journal is to be welcomed as it gives funds and their managers adequate time to put in place appropriate operational arrangements and delegation agreements necessary to comply with the reporting obligations under the SFTR.

As the reporting format for SFTs set out within the Implementing Regulation has been made consistent with that prescribed for the reporting of derivatives contracts under EMIR, it is hoped that the experience of funds and their managers in complying with those reporting obligations will prove helpful and ensure a smooth transition to allow for their corresponding reporting obligations under the SFTR to be met.

Should you have any queries in relation to this article, please contact the authors or your usual contact in the Dillon Eustace Asset Management and Investment Funds Team for further information.

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