Clearstream Banking
Securities Financing
Transaction Regulation
Frequently asked questions
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1. General information

This document provides guidance on how Clearstream, acting as a Triparty Agent supports customers in meeting their regulatory compliance in the context of Securities Financing Transaction Regulation [SFTR].

The key objective is to provide comprehensive information about Clearstream’s reporting offering, incorporating both Clearstream Banking Luxembourg (CBL) and Clearstream Banking AG (CBF).

2. Regulatory highlights

2.1 What are SFTs?

As per the European Commission definition, securities financing transactions [SFTs] allow investors and firms to use assets, such as the shares or bonds they own, to secure funding for their activities.

A securities financing transaction can be

- a repurchase transaction - selling a security and agreeing to repurchase it in the future for the original sum of money plus a return for the use of that money
- lending a security for a fee in return for a guarantee in the form of financial instruments or cash given by the borrower
- a buy-sell back transaction or sell-buy back transaction
- a margin lending transaction

2.2 Entities subject to SFTR

- Financial counterparties [FCs]
- Non-financial counterparties [NFCs]
- EU-based entities, including their non-EU-based branches
- Non-EU entities, where the SFT is concluded by an EU-based branch

Note: The European System of Central Banks, the Bank for International Settlements and public bodies managing public debt are exempt from reporting.

2.3 SFTR Reporting Timeline

Reporting obligation is phased in on quarterly basis

<table>
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<tr>
<th>Date</th>
<th>Phase</th>
<th>Category</th>
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<td>11 April 2020</td>
<td>Phase 1</td>
<td>Investment firms and Credit Institutions</td>
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<tr>
<td>11 July 2020</td>
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2.4 Reporting Requirements

SFT Regulation requires the parties to the transaction to compile and report the following data elements - these consist of four tables of data:

- Counterparty data - this relates to the identification of the parties who execute, report, benefit from, arrange, broker and clear the transaction;
- Loan and Collateral data - this relates to the characteristics and terms of the securities financing transaction itself, including the trading and clearing venues, interest calculations, security and commodity information, pricing and rebate details, haircuts and collateral quality;
- Margin data - this relates to initial and variation margin, and collateral posted and received against a portfolio of transactions;
- Re-use, Cash Reinvestment and Funding Sources data - this relates to collateral re-use, cash collateral reinvestment and, for margin lending transactions, funding source information.

3. Clearstream reports

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 the triparty environment.

As a TPA, Clearstream is not in a position to offer any delegated reporting or enrichment services. Clearstream shall not also access to any Trade Repository (TRs) for customer reporting purposes.

Scope of reporting services:

- All Securities Financing Transactions (SFTs) within the triparty environment will be included in the report: 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 and securities.

Depending on the customer’s business activity, information from Clearstream acting as TPA will be provided by:

Clearstream Banking Luxembourg SA (CBL - ICSD)
Clearstream Banking AG (CBF - CSD)
4. Frequently asked questions

4.1 What is CBL’s approach to SFTR Reporting?

Delivery focus from CBL is on daily two new reports supporting customer for their own reporting obligation, based on EOD value date:

- Triparty Collateral Management Collateral Allocation Report: Information on confirmed collateral position.
- Triparty Collateral Management 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 [Value date] and will contain full-position (that is, no delta position reporting).

The **Collateral Allocation Report** will contain detailed information with regards to allocated and confirmed collateral position across all transactions and services which customers are active. This report is provided in .txt format.

New report is designed to provide additional SFT Regulation related fields and more in line with the format required by the reporting requirements. Additional fields will be provided by CBL to the extent available within CBL reference data space.

The **Collateral Reuse Report** is only to be sent to customers acting as Collateral Givers (CGs) and will leverage the received securities collateral to another SFT transaction. Aim is to provide the necessary data points which could enable customers to perform their own calculation and/or estimations for end reporting. Clearstream will not perform any calculation or estimation on behalf of the customer. This report is provided in .txt format.

Both reports will be generated end of day following the last allocation and settlement run (approx. 20:30 CET) and will be available to customer via Xact until the next generation point ie end of following day (V+1)

Customers can also leverage the existing MT569 Triparty Collateral and Exposure Statement - Detailed version EOD for reporting purposes

4.2 Can customers continue to use MT569 Triparty Collateral and Exposure Statement?

Customers can further leverage the existing MT569 message in detail to capture their collateral allocation, if they wish to do so.

4.3 When will these reports be available to customers?

Customers can access these new reports from 21 October 2019 in Production. Ahead of April 2020, customers can review and implement these new reports on a timely basis.

4.4 How can customer access the report definitions and samples?

New report content and field definitions can already be accessed via the “CmaX Connectivity Guide”. This documentation also contains samples that customers can further replicate.

4.5 How can customers subscribe to new reports?

Reports will be part of the customer’s reporting suite and follow similar subscription approach. Set-up will allow customers to select their delivery points, that is the collateral report can be sent to an intermediary/vendor selected by customer and the reuse report sent to customer.

Concerning the subscription, please contact your Relationship Manager for further information.
4.6 Why did CBL choose to implement new reports?
During the development of the reporting solutions, both options were discussed, that is the enrichment of an existing report such as AS report or to create a new report focusing on SFT Regulation. To avoid extensive customer implementation impact in case of field changes due to any change in regulation, the new report approach is chosen.

4.7 What is CBF’s approach to SFTR Reporting?
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, that is collateral report can be sent to an intermediary /vendor selected by the customer or directly to the customer.

4.8 How can customers access reports?
For CBL reports:

**Collateral Allocation Report & Collateral Reuse Report**
- Format: Txt.
- Delivery timelines: EOD and available until COB next day
- Delivery Mechanism: Xact File Transfer /Email

**Triparty Collateral and Exposure Statement (MT569) from CmaX**
- Format: ISO/PDF/XML/XLS
- Delivery timelines: Intra-day and EOD
- Delivery Mechanism: SWIFTNet/Xact File Transfer

For CBF reports:

**Allocated Collateral (MT569) from Xemac**
- Format: ISO
- Delivery timelines: EOD
- Delivery Mechanism: Hob FT/MQ/ SWIFT

For further details please refer to CBL Report Timings Matrix

**Note:** Reports larger than 10MB cannot be delivered by email.

4.9 What is the offering in relation to Eurex Cleared Transactions?
As part of the DBAG, Regulatory Reporting Hub (RRH) offers clearing members of Eurex Clearing the opportunity to enrich their SFTR reporting with Eurex Repo’s and Eurex Clearings data (Transaction, Principal Collateral, CCP Margin) for all SFT-transactions:

- “Executed on Eurex Repo and/ or
- “Cleared at Eurex Clearing [Cleared Repo incl. GC pooling, Lending CCP]

For further information, please contact RRH [link]
4.10 What is the offering in relation to KAG+/LMS?
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 the MT569. Any outsourcing or report delegation discussion is outside of Clearstream scope.

4.11 Is there any cost on new CBL reports?
Customers are expected to be charged in line with the general report pricing approach. Unlike the MT569 [Unit based], new reports will be charged at a fee per report.
For further information, please contact your RM for further information.

4.12 Will Clearstream provide delegated reporting for triparty collateral management customers?
Clearstream acting as TPA will not provide any delegated reporting on behalf of the customers due to lack of available information in relation to trade, counterparty etc. Clearstream cannot also provide any pre-selection or filtering of any information [that is, service type to be reported etc.] and cannot perform any translation or conversion of data elements due to its role.

4.13 Will CBL or CBF create/capture/ deliver UTIs?
No, triparty agents are not part of the proposed Waterfall approach as per regulatory text and the current communication mediums and message formats are not aligned to capture UTIs. Within these limitations, Clearstream, as TPA, is not position to create or distribute UTIs.

4.14 Can these reports be delivered to third party vendors?
Clearstream is able to route to reports to third party vendors for further processing subject to collection of Power of Attorney [PoA] from common customers and capture of Authorisation of Disclosure [AoD] from all counterparts of the customer, in line with Luxembourg Banking secrecy requirements.

4.15 Best practice advice
Given that Clearstream will provide the collateral information to both parties - Collateral Giver [CG] and Collateral Receiver [CR], it is advisable that parties do not update or change the static data information to avoid any reconciliation issues.
Clearstream can only provide information based on “principal” relationship basis. For Agent lenders, unless the underlying lender is identified within Clearstream via technical re-use, the further breakdown of collateral at beneficial owner level falls under the responsibility of Agent lender.
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