

Date: 27<sup>th</sup> November 2019

**This summary document outlines ISLA members view on how the industry will report securities loans to ESCB's under MiFID II regulations.**

- ISLA members consensus is that, as per the MiFID guidelines 2017, an SFT should be reported when it is first traded, the second leg should not be reported. The reason behind this decision is that the MiFID regulation is designed for the purpose of monitoring market abuse rather than measuring systemic risk. The SFT flag on the report indicates that the trade is an SFT and that it will be returning at some point in the future.
- The MiFID reporting regime does not allow for the accurate reporting of the 2nd leg which is another indication that it is not required. Additionally, as Field 32 Derivative Notional Increase / Decrease only applies to derivatives then there is no reporting methodology for reporting securities lending returns.
- Since there is no facility to capture post execution lifecycle events of an SFT only the initial execution and any cancellation will be reportable.
- Given there is no SFT term date under MiFID, ISLA members interpret that open and term securities loan trades should be reported consistently by only reporting the initial leg.
- Agency lending allocations are not reportable by the investment firm. This is because for MiFID a firm is only required to report the trade with the counterparty that it executes against, there is no requirement to look beyond the direct counterparty. Due to this the obligation to report the allocations lie with the Agent Lender.

# MiFID ESCB Securities Lending Message Example

MiFID II ESCB Reporting TransactionDataValidations		Example: is a Principal Lending to ESCB	Additional comments where an Agent Lender is lending on behalf of an ESCB populate the selected fields as follows.
Field reference	Field name	Content reported	Content reported
1	Report Status	NEWT / CANC	
2	Transaction Reference Number	4KDM45IOG8ND00_01NNCOWL99	
3	Trading Venue Transaction ID	Blank	Blank - Agency lending trades to be blank as the allocation is always treated as OTC
4	Executing Entity Identification Code	7LTWFZYICNSX8D621K86	Agent Lender LEI code
5	Investment Firm Covered by Directive 2004/39/EC or 2014/65/EU]	TRUE	
6	Submitting Entity Identification Code	7LTWFZYICNSX8D621K86	Agent Lender LEI code
7	Buyer Identification Code	529900SEOICVR2VM6Y05	Borrower
16	Seller Identification Code	7LTWFZYICNSX8D621K86	ESCB
25	Transmission of Order Indicator	FALSE	
28	Trading Date Time	2018-04-19T10:55:30Z	
29	Trading Capacity	DEAL	AOTC: Agent lender will not be a buyer or seller - only acting as agent on behalf of ESCB.
30	Quantity	10,000,000	
31	Quantity Currency	EUR	
33	Price	Clean Price of the loan	
34	Price Currency	Populated for equities; blank for bonds	
35	Net Amount	Dirty Price Loan Value (Bond Value plus accrued interest).	
36	Venue	XOFF/venue MIC	Always XOFF Agent Lender allocations (even when via Equilend MTF)
41	Instrument Identification Code	DE0001102317	
55	Expiry Date	Blank (Not applicable for SL trades as derivative only)	
57	Investment Decision within Firm	[national ID]	
58	Country of the Branch Responsible for the Person Making the Investment Decision	DE	
59	Execution within Firm	[national ID]	
60	Country of the Branch Responsible for the Person Making the Execution	DE	
61	Waiver indicator	N/A (Blank) Not required excluded from pre and post trade transparency. No obligation for a securities financing trade.	
62	Short selling indicator	N/A (Blank based on field 65)	
63	OTC post-trade indicator	N/A (Blank)	
64	Commodity derivative indicator	N/A (Blank)	
65	Securities Financing Transaction Indicator	TRUE	