| # | FINRA / SEC Docs: | Observation: | Additional Notes: |
|---|---|---|---|
| 1 | NA | **Inadequate comment period:**<br>1. Only 27 days given to comment.<br>2. Technical specs were published by FINRA on the 21st of May 2024 so this left only left 4 business days to size the time/effort needed to build and properly comment on concerns. It would have been more helpful to receive both the FINRA proposed rules and the draft participant specifications at the same time.<br>  a) *Note:* The Slate Participant Specification is 62 pages and was published Tuesday 21st May 2024<br>3. The Commission published notice of FINRA's proposed rules on May 1, 2024, and the notice was published in the Federal Register on May 7, 2024, with a deadline of May 28, 2024 for public comment. FINRA Proposing Release noted as 38217. This deadline is consistent with the Commission's compliance dates set out in the Rule 10c-1a Adopting Release, which provided that an RNSA must propose rules pursuant to final Rule 10c–1a(f) within four months of the effective date of final Rule 10c-1a. Given that the effective date of Rule 10c-1a was January 2, 2024, FINRA was required to propose rules by May 2, 2024. Based on the timeline set by the Commission, market participants will have had only 27 days to review and comment on the proposal and almost no time to digest and comment on the draft participant specifications.<br>4. To note ISLA decided to respond on Tuesday 28th May as an initial first response as best ISLA could as if there is no extension then we have at least got a number of observations in front of the SEC. | a) ISLA are working with other trade associations such as ICI, SIFMA, CASLA and the RMA to file a letter to the SEC on Friday 24th May asking for an additional extension to better digest the FINRA proposed rules in order to better respond. There is no guarantee of this ask but an additional 45 days from the 28th May deadline has been requested.<br>b) Early feedback shared by ICI from both FINRA and the SEC is sounding positive as at 4th June 2024 but again there is no guarantee of any extension. |
| 2 | SEC Final Rule page **75689**. | **Extraterritoriality / Jurisdictional Challenge:**<br>1. In the FINRA proposed rule changes across 117 pages there is no clarity around extraterritoriality / jurisdictional requirements for reporting for UK, EMEA and APAC members.<br>2. Post ISLA contacting the SEC directly and sharing x9 flows of potential cpty relationships of the UK vs. UK, UK vs. EU and both UK and EU vs. USA to determine what is in scope the SEC responded by pointing ISLA back to the final rule in the federal register on page **75689**.<br>3. Post reading page **75689** it seems that non-US firms would be in scope of SEC 10c-1a reporting, assuming all firms are reporting today under the CAT, TRACE and MSRB surveillance systems. | a) This is a major concern for non-USA cptys as the final rule within the SEC federal register does allude to non-USA cptys being in scope however within the FINRA proposed rule changes there is no mention, clarity, or confirmation of this at all.<br>B) If the FINRA proposed rules are meant to act like the European RTS then it can be said there is no technical help to better understand non-USA reporting extraterritoriality / jurisdictional scope. |
| 3 | See points below 6,7,8 and 9 and 10 | **Expanded scope/complexity:**<br>1. A number of additional fields and indicators were added by FINRA as well as a requirement to report all intraday lifecycle events.<br>2. This significantly increases the complexity and expense to implement.<br>3. See from below analysis the true overall impact of the FINRA proposed rules of SEC 10c-1a:<br>**Summary based on all fields around the lifecycle events:**<br>  - **New LOAN Event** – Used to report the terms of an Initial Covered Securities Loan. x44 Sequence options (trade validation rules)<br>  - **Pre-Existing Loan Modification Event** – Used to report a modification to a loan that was not previously required to be reported to the system. x45 Sequence options (trade validation rules)<br>  - **Modification** – Submitted to report a change to the terms of a previously reported loan. x34 Sequence options (trade validation rules)<br>  - **Cancel** – A Loan Correction Event is used to replace fields on a prior reported event. x12 Sequence options (trade validation rules)<br>  - **Correction** – The Loan Cancellation Event is used to remove a single event from the system. A New Loan Event may not be cancelled; it must be deleted or corrected. x48 Sequence options (trade validation rules)<br>  - **Delete** – The Delete Loan Event is used to delete an entire loan and all of its child events (modification, correction, etc). A deletion cannot be cancelled. x9 Sequence options (trade validation rules)<br>**Insight Summary:**<br>  - Total of x192 Sequence options / fields (trade validation rules) that equates into x66 Conditionality Options (Required x14, Conditional x17, Optional x35 = x66) resulting in x48 actual fields.<br>  - Reason for 192 sequence options turning into x66 Conditionality Options resulting in x48 actual fields is that across the 6 lifecycle events options / fields are "repeatable".<br>  - There are:<br>    - 8 fields are across 6 LCE's (*example the Reporting Party is across 6 LCE's*)<br>    - 1 field is across 5 LCE's (*example the Event Date Time is across 5 LCE's*)<br>    - 23 fields are across 4 LCE's (*example the Unsettled Flag is across 4 LCE's*)<br>    - 14 fields are across 3 LCE's (*example the Lender LEI is across 3 LCE's*)<br>    - 2 fields are across 2 LCE's (*example the FINRA Control Date is across 2 LCE's*)<br>    - 1 field is across 1 LCE (*example the Omnibus Loan ID is across 1 LCE*)<br>    - Total: **x48** Actual Fields<br>  - All 192 sequence / field options also include:<br>    - FINRA require Intraday reporting - hence if you do a Modification at 11am and a Correction at 6pm both events now have to be reported.<br>    - No back loading requirement as there is a concept of a New Loan Event and a Pre-Existing Loan Modification.<br>    - Event Linkage for subsequent lifecycle events on both new loans and pre-existing loan modification event.<br>    - Modifiers & Indicator fields: Exclusive Arrangement, Loan to Affiliate, Unsettled Loan, Terminated Loan, Rate or Fee Adjustment, Basket Loan.<br>    - Other Fees & Charges: Trying to capture Corp Action payments associated with securities lending activity via SPO payments (Special Payment Orders).<br>    - Rate Fee override flag: Tolerance level "warning" FINRA are looking to put in place.<br>    - Settlement Driven Reporting: Unsettled Loan Flag population with D and S: Must set to D (Did not settle) if the loan will not settle before the close of SLATE System Hours.<br>    - Data Types - there are 5 Data Types vs. 48 Actual Fields vs. 6 Lifecycle Events. | a) From the original SEC rules prior to the FINRA proposed rules we had 12 Non-Confidential Data Element Fields, 3 Modification Fields and 3 Confidential Data Element Fields. Total of 18 fields.<br>b) Now from the FINRA proposed rules we have a total of 48 actual fields.<br>c) See full breakdown under the observation column. |
| 4 | FINRA PR 6530 Page 112 d4 | **Identifying of Reportable Securities:**<br>1. 6530(d)(4) "If a Covered Person makes a good faith determination that it has a reporting obligation under SEA Rule 10c-1a and this Rule 6500 Series, the Covered Person or Reporting Agent, as applicable, must report the Covered Securities Loan as provided in this Rule, and if the Reportable Security is not entered into the SLATE system, the Covered Person or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE." | a) This seems to indicate that a Covered Person/Reporting Agent would need to notify FINRA to add securities to their system.<br>b) It is unclear what this process would look like but seems like for CAT, TRACE or MSRB where instruments are not on the SLATE universe of static data, any new instruments would need to be added.<br>c) Question could be how long would this take and are manual forms needed to populate and also how quick can SLATE react?...could this be an issue to slow down reporting requirements if SLATE cannot react in near real time for set up - under EU regulations they have a label called CAT for Complete, Accurate and Timely reporting, how do FINRA's policies work that are equivalent to this ? |
| 5 | FINRA PR 6530 Page 106 1a,b,c<br><br>Also see point 15 | **Daily Reporting Deadlines:**<br>Both Initial Covered Securities Loans and Loan Modifications would be required to be reported by the following deadlines:<br>  1. For Initial Covered Securities Loans or Loan Modifications **effected** on a business day at or after 12:00:00 a.m. ET through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET.<br>  2. For Initial Covered Securities Loans or Loan Modifications **effected** on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET.<br>  3. For Initial Covered Securities Loans or Loan Modifications **effected** on a Saturday, a Sunday, a federal or religious holiday, or other day on which SLATE is not open at any time during that day (determined using ET), the required information must be reported the next business day (T+1) before 8:00:00 p.m. ET.2 | a) So they use this word "***effected***" which would seem to mean the time of the trade being booked into systems, so if this is correct and we say that the effected time is the system booking time would this then be doable to know what's been booked prior to the timing deadlines to then know when to report on T or T+1?<br>b) So essentially we are saying that effected is equivalent to "Event Date" field under SFTR that looks for both the date and the time population of the trade into a systems books and records.<br>c) The effected date does *not* seem equivalent to the execution timestamp as a comparison to say SFTR. |

## Row 6

**Column 1:**

Settlement Driven Reporting see Draft Participant Specifications New Loan Event page 18 Field #44 Unsettled Loan Flag. This is also one of the "Modifier & Indicator" fields too hence represented under field #44 New, #45 Pre-Existing Loan Modification and #34 Modification

Also see FINRA PR page 72 footnote 54.

**Column 2:**

*Settlement Driven Reporting: Unsettled Loan Flag - New Loan Event see field #44......this field is also prevalent in Pre-existing Loan Modification #45, Modification #34 & Correction #48 lifecycle events.*

1. *Initial Covered Securities Loan:*
   - FINRA are looking for once an Initial Covered Securities Loan has been reported to state if this did not settle on the expected settlement date with **D** (loan did not settle - Must set to D (Did not settle) if the loan will not settle before the close of SLATE System Hours *or* once the failing new trade has settled then modify the report with **S** (loan settled) to now state this has settled on a new loan.
   - If you see in the Modifier and Indicator section under point 9 below there is a requirement on an *Initial Covered Securities loan* to be monitored for settlement once it's been reported, using this flag
      (3) Unsettled Loan - If an Initial Covered Securities Loan or a modification to the amount of Reportable Securities loaned did not settle by the close of SLATE System Hours on the expected settlement date, select the appropriate indicator. OPTIONAL 44 (New Loan Event)

2. *Partial and Full Returns:*
   - As part of intraday data and lifecycle events FINRA are asking for all **Partials** and all **Full Returns** to be flagged using field numbers OPTIONAL 45 (pre-existing loan modification) & OPTIONAL 34 (modification)
   - The twist is that for Partials and Full Returns FINRA in conjunction with wanting users to populate the Unsettled Loan Flag field, also, want users to ONLY report a partial or a full return once the securities have been delivered aka settled. See below footnote on page 72 of the FINRA proposed rules:

   *****- Covered Persons must report a decrease to the loan amount resulting from a return of securities only once the securities have been delivered **because returns are not considered "effected" until the securities are actually returned**. However, Covered Persons must report all other Loan Modifications on the date that the Loan Modification was agreed upon and, in such instances, must report the effective date (pursuant to proposed Rule 6530(b)(2)(D)) unless the effective date is the same as the Loan Modification date (reported pursuant to 6530(b)(2)(D)).******
   ........................This sentence in green does not seem right: *because returns are not considered "effected" until the securities are actually returned.....*Example: field 16 under Modification is the Event Date, this field looks for the time and date that a loan has been booked and in the description this calls the loan Effected, so this suggests effected means the date and time of the booking into the system not what date and time a partial or a full return actually settled, this is very confusing and feels that the description across the lifecycle events contradicts page 72 footnote 54, if not contradicts then definitely is and will cause confusion. See table here showing lifecycle events and description narration.

| LCE/Table: | Seq: | Logical Field Name: | Data Type: | Description: | Include Key: |
|---|---|---|---|---|---|
| New Loan Event | 6 | Event Date Time | Date Time | Date and time to which these terms of the loan were effected. Must not be prior to system start date. | R |
| Pre-Existing Loan Modification | 6 | Event Date Time | Date Time | Date and time to which the terms of the loan reflected by this reportable event were agreed upon. | R |
| Modification | 16 | Event Date Time | Date Time | Date and time on which the loan modification was effected. Must not be prior to system start date. | R |
| Cancel | 11 | Event Date Time | Date Time | Date and time of the event Required for cancelling events reported on Day T 0 only. | C |
| Correction | 13 | Event Date Time | Date Time | Date and time on which the terms of the loan event were effected Must not be prior to system start date. Required for linkage on T 0. May not be corrected on T 0 without the combination of FINRA Control | C |

3. *SFTR vs. 10c1a:*
   - . SFTR vs. 10c1a:
      - SFTR request the final close out / full return of a trade to "only be reported once successful settlement has taken place" where FINRA are requesting all **Partials** and **Full Returns** to be monitored for settlement too aka Settlement Driven Reporting requirement.
      - SFTR, you have to hold back the Full Return / Close Out trade prior to reporting as need to check for settlement first, once settled only then send your regulatory report, this is technically complex and a system solution is needed, this is different to FINRA.
      - FINRA seems you report New trades then use the UNSETTLED LOAN FLAG to confirm the settlement status of settled or did not settle but for partials and full returns FINRA requires firms to only report upon successful settlement, and then, if the status changes to use the Unsettled Loan Flag by changing the status - see additional notes for more details.

**Column 3:**

*Settlement Driven Reporting Notes:*
a) If firms are not familiar with this, they are going to have to think how to monitor settlement to then flag and use the field **UNSETTLED LOAN FLAG** which in a New loan event is field# 44, Pre-existing modification event is field #45 and Existing aka modification event is field #34 then update this flag once the settlement status is known. As an example of a New Loan field #44 see the below requirement for population:

Indicates the loan did not settle: D – Loan did not settle, S – Loan settled

Must set to D (Did not settle) if the loan will not settle before the close of SLATE System Hours (*which seems to be 8pm see timings under Point 5*).

If a previously unsettled loan (Unsettled Loan Flag = 'D') loan has settled, a Modify Loan Event with the Unsettled Loan Flag set to 'S' (Loan settled) is required.

b) Including *partials* that follow the settlement driven reporting requirement is going to cause a lot of challenges for people in the USA market as the drops come down at 3pm USA time, this means that any failing partials will have to be monitored for settlement in order to then populate the **UNSETTLED LOAN FLAG**, the challenge is all failing trades are cancelled and re-set within DTC, so members trying to track a partial that then gets cancelled and re-set up for next day settlement will have a mapping challenge to ensure they are monitoring for settlement the replacement partial on a daily basis. Example if a trade fails for 3 days then on each day from the original partial there could be 3 different trade / system references for the same partial that keeps failing and is constantly being re-set for the next day.

c) In addition firms as per page 72 and footnote 54 will have to ONLY report any decrease to a loan amount only when the securities have been delivered hence settled, this will be a difficult system build to basically having to check for actual settlement first prior to reporting anything to SLATE, and then, if you do report say a partial as you know it's actually settled, the day after if there is a DK on that trade so it's open again, this is where the modification lifecycle event comes in to change S = Settled to D = did not settled as its changed status by being now open to the previous status of settled.

## Row 7

**Column 1:**

FINRA PR 6530 Page 106, 107, 108 2

a to n = Non-Confidential

o to X = Confidential

y = Modifiers & Indicators

**Column 2:**

*For Initial - NEW Covered Securities Loans, each SLATE report shall contain the following information:* Required, Conditional, Optional
*Non Confidential Data Elements:*
(A) The legal name of the security issuer REQUIRED 7 and the Legal Entity Identifier ("LEI") of the issuer (*if the issuer has a non-lapsed LEI)*; OPTIONAL 8
(B) Security symbol, CUSIP, ISIN, or FIGI, if any; REQUIRED 9
(C) The **date** the Covered Securities Loan was effected; REQUIRED 6
(D) The **time** the Covered Securities Loan was effected; REQUIRED 6
(E) The **expected** settlement date of the Covered Securities Loan; REQUIRED 25
(F) The platform or venue where the Covered Securities Loan was effected; REQUIRED 28
(G) The amount of the Reportable Securities loaned; CONDITIONAL 29 (Equity) & 30 (Debt)
(H) The type of collateral used to secure the Covered Securities Loan; REQUIRED 31
(I) For a Covered Securities Loan collateralized by cash, the rebate rate; CONDITIONAL 34 *(Also see below reference to page 14 footnote 30)*
(J) For a Covered Securities Loan not collateralized by cash, the securities lending fee; CONDITIONAL 33 *(Also see below reference to page 14 footnote 30)*
(K) Any other fees or charges; OPTIONAL 35
(L) The percentage of collateral to value of Reportable Securities loaned required to secure such Covered Securities Loan; CONDITIONAL 37
(M) For a Covered Securities Loan with a specified term, the termination date of the Covered Securities Loan; OPTIONAL 26
(N) Whether the borrower is a Broker or Dealer, a customer (*if the person lending securities is a Broker or Dealer*), a Clearing Agency, a Bank, a Custodian, or other person; REQUIRED 24
**x14 Fields**
*Confidential Data Elements:*
(O) If known, the legal name of each party to the Covered Securities Loan (*other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3)*); OPTIONAL 12 = Lender & OPTIONAL 20 = Borrower
(P) If known, the CRD Number or Investment Adviser Registration Depository Number of each party to the Covered Securities Loan, if applicable; OPTIONAL 15 = Lender & OPTIONAL 23 = Borrower
(Q) If known, the MPID of each party to the Covered Securities Loan; CONDITIONAL 14 = Lender & CONDITIONAL 22 = Borrower
(R) If known, the LEI of each party to the Covered Securities Loan; OPTIONAL 13 = Lender & OPTIONAL 21 = Borrower
(S) If known, whether each party to the Covered Securities Loan is the lender, the borrower, or an intermediary between the lender and the borrower; REQUIRED 11
(T) If the person lending securities is a Broker or Dealer and the borrower is its customer, whether the security is loaned from the Broker's or Dealer's securities inventory to the customer of such Broker or Dealer; REQUIRED 4
(U) If known, whether the Covered Securities Loan is being used to close out a fail to deliver pursuant to Rule 204 of SEC Regulation SHO or to close out a fail to deliver outside of Regulation SHO; OPTIONAL 43
(V) Whether the Covered Person is the lender, borrower or intermediary; REQUIRED 11
(W) The unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE; REQUIRED 4
(X) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE; and OPTIONAL 5
**x10 Fields**
(Y) Such modifiers and indicators as required by either the Rule 6500 Series or the **SLATE Participant specification**. **- The Slate Participant Specification is 62 pages and was published 21st May 2022**

**Column 3:**

a) These are the new fields for a **New Loan Event** within the FINRA proposed new Rule 6500 Series to implement its Securities Lending and Transparency Engine (SLATE™)
b) Note as per point 3 above there are actually 48 fields in total out of a possible 192 lifecycle event (*LCE*) sequences as options across the 6 lifecycle events. To the left are only a selection of the *New Loan Event* fields. As point 3 highlights above the same sequences / field options across lifecycle events are repeated across more than one lifecycle event and could have a different sequence number depending on the lifecycle event hence don't assume as per below that Event Date is always going to be sequence / field #6..as per below depending on the lifecycle event it's a different seq# - also look out for how the logical field names are the same hence not unique but the description can differ hence not all the same description across one logical field name (see Lender MPID example below):

Event Date Example:

| LCE/Table: | Seq: | Logical Field Name: | Data Type: | Description: | Include Key: |
|---|---|---|---|---|---|
| Cancel | 11 | Event Date Time | Date Time | Date and time | C |
| Correction | 13 | Event Date Time | Date Time | Date and time | C |
| Modification | 16 | Event Date Time | Date Time | Date and time | R |
| New Loan Event | 6 | Event Date Time | Date Time | Date and time | R |
| Pre-Existing Loan Modification | 6 | Event Date Time | Date Time | Date and time | R |

Lender MPID Example:

| # | Reference | Description | Comments |
|---|---|---|---|
| 8 | FINRA PR Page 14 (footnote 30) and Page 107 | **Other Fees or Charges:** *OPTIONAL 35 DECIMAL and possibly OPTIONAL 39 STRING*<br>1. Page 14 footnote 30: When reporting a rebate rate or lending fee pursuant to proposed Rule 6530(a)(2)(I) or (J), respectively, a Covered Person must report the rebate rate or lending fee as a percentage, *and separately report the dollar cost of any other fees or charges.*<br> - SFTR also requires a percentage format too just to note.<br> - *Where it mentions report the dollar cost of any other fees or charges, what is this?... maybe buy in costs?... maybe Penalties driven from the TMPG equivalent of CSDR in the USA?... anything else?... SPO charge*<br>2. Page 107 see section 2. Loan Information to be reported and point (K) Any other fees or charges. | a) Any other fees or charges as a field is unclear what this would cover, maybe Buy in costs?.....Penalties for settlement failure?....something else?<br>b) How would a firm once knowing what the population of this ask is actually report a number or value this would not be natively held in a system as one number and if were to be reported sounds like a free format field population which is not helpful and seems ambiguous.<br>c) This Other Fees or charges requirement relates to field #35 (*other fees*) in the draft participant specifications, however this is confusing as the description within the New Loan Event table, it does not state what is to be captured hence as per the observational notes would this be a SPO - special payment order payment in DTC to cover off corporate action proceeds. The description does state "*Dollar amount of other fees incurred- value may be negative*"...the confusing bit is that field #39 (*Rate Fee Modifier*) within the description there are three choices shared being A – Billing adjustment or correction to previously charged amount, **B – Corporate action adjustment**, C – Basket of securities (at least 10 unique issues for a single rate or fee).....why are FINRA wanting a corporate action adjustment requirement here in this field #39?....if field #35 is asking the same thing? or<br>d) Is the actual answer that field #35 the other fees or charges hence the SPO payment in DTC for a corporate event and if that value is adjusted you then populate field #39 using option B???...so they are sort of linked but its not obvious. |
| 9 | FINRA PR 6530 Page 110 3c 1,2,3,4,5,6<br><br>Also see point 10 | **Modifiers and Indicators on a <u>New Loan Event</u>: trend is all these fields are currently *optional*.**<br>Append the applicable modifiers or indicators as specified by FINRA to all SLATE reports.<br>(1) **Exclusive Arrangement** - If the Covered Securities Loan is made pursuant to an exclusive arrangement with the borrower or intermediary, select the appropriate <u>indicator</u>. OPTIONAL 40<br>(2) **Loan to Affiliate** - If the Covered Securities Loan is made to an Affiliate of the lender or intermediary, select the appropriate <u>indicator</u>. OPTIONAL 41<br>(3) **Unsettled Loan** - If an **Initial Covered Securities Loan** or a **modification to the amount of Reportable Securities loaned** did not settle by the close of SLATE System Hours on the expected settlement date, select the appropriate <u>indicator</u>. OPTIONAL 44<br>(4) **Terminated Loan** - If a Covered Securities Loan has been terminated, select the appropriate <u>indicator</u>. OPTIONAL 27<br>(5) **Rate or Fee Adjustment**<br>(A) If a loan rebate rate or lending fee accounts for a billing adjustment or correction to amounts previously rebated or charged, select the appropriate <u>modifier</u>; or OPTIONAL 39<br>(B) If a loan rebate rate or lending fee accounts for the value of a distribution or other economic benefit associated with the Reportable Security, e.g., a corporate action, select the appropriate <u>modifier</u>. OPTIONAL 39<br>(6) **Basket Loan** If a loan rebate rate or lending fee reflects a rate or fee involving a basket of at least 10 unique Reportable Securities for a single agreed rate or fee for the entire basket, select the appropriate <u>modifier</u>. OPTIONAL 39 STRING<br><u>x6 Fields</u> | a) FINRA stated that these modifiers and indicators would help it to better identify loans for which the pricing may not indicate the current market rates available in the securities lending market.<br>b) FINRA also proposes to reserve discretion for itself to not publish any modifier or indicator that it determines should not be made publicly available hence confidential.<br>c) **The Rate and Fee components** here look complex as this seems to require amounts outside (*other economic benefits - this could be a SPO payment for say cash moved on a corporate event payment?*) of the daily accruals that are passed between cptys and also asks for any billing adjustment and corrections, hopefully this is just another report with the latest Fee that is sent in the modification overwriting the previous report.<br>d) The Basket Loan modifier from the draft participant spec is unclear what is required.<br>e) Rate of Fee Adjustment relates to field #39 (*Rate Fee Modifier*) under the draft participant specification under a New Loan Event. |
| 10 | FINRA PR 6530 Page 110 3c 1,2,3,4,5,6<br><br>Also see point 9 | **Rate Fee Override Flag:** OPTIONAL 38 STRING<br>1. new field added by FINRA that needs more clarity.<br>2. There is additional language in the FINRA proposal noting "FINRA plans to use these modifiers for data validation (e.g., in instances where FINRA's data validation logic identifies the reported rate as potentially erroneous)." Does this imply that FINRA will be performing validation testing to some defined tolerance level and a rejection/correction process?<br>3. If so, there is the potential for a large number of rejections which could result in a lot of back and forth and manual intervention. | a) Reason codes for a rate/fee adjustment will be difficult to implement as lending systems may not track and it is unclear what value this adds.<br>b) It is unclear what this process would look like, but this would certainly increase complexity of the reporting process.<br>c) Need to understand is this more of a "*warning*" system than an error rejection, i don't see FINRA rejecting reports based on Fee's as sec lending is known for having high rates and specials, let's get clarity if this is a warning / temperature check as opposed to an outright reject of rates, also FINRA surely cannot dictate the market, they are in this capacity the recipient of the regulatory reports.<br>d) This relates to field #38 (*Rate Fee Override flag*) where the description states: *Firm indicates values should override SLATE's validations. Y – Value is away from typical fees/rates.* |
| 11 | FINRA PR Compliance with reporting obligations page 26 | **Use of Reporting Agents:**<br>1. The increased complexity of the FINRA proposal as compared to the SEC final rule increases industry reliance on vendors/reporting agents.<br>2. Could increases costs and potential data security concerns?<br>3. This could work both ways as using a vendor platform could also alleviate the heavy lift internally for banks and also give an opportunity to leverage current reporting target operating models such as SFTR. | a) RMA shared from their working group that this could pose a challenge for how current reporting is done versus having to outsource new / additional reporting at additional costs. |
| 12 | FINRA PR 6530 Page 106 2a | **LEI of security issuer:**<br>1. Required under final SEC rule, however, it was not included the original SEC rule proposal for comment.<br>2. Unlike security identifiers such as cusip, ISIN, security issuer LEIs are not easily accessible and not always available. | a) RMA shared from their working group this could be a challenge hence Remove field or make optional? |
| 13 | FINRA PR 6710 a & 6510 a Pages 19, 39,40, 47, 69, 89, 90, 96, 103, 110, 111 | **Affiliate indicator:**<br>1. See proposed Rule 6710(a). For the purposes of the definition of "Affiliate," "control," along with any derivative thereof, means legal, beneficial, or equitable ownership, directly or indirectly, of 25 percent or more of the capital stock (or other ownership interest, if not a corporation) of any entity ordinarily having voting rights.<br>2. See proposed Rule 6510(a). The term "common control" means the same natural person or entity controls two or more entities. See proposed Rule 6510(a).<br>3. It is noted in the FINRA proposal that this indicator was added as loans to affiliates may not reflect current market rates.<br>4. Note this field on a NEW is field sequence #41 and is **OPTIONAL**. | a) Adding an affiliate indicator to these transactions does not add any additional value to the reporting and could potentially expose confidential information (a borrower may not know they are sourcing supply from an affiliated lender). Additionally, the intermediary negotiating the loan may or may not be aware of an affiliate relationship between the borrower and underlying lender. This would require additional resources from ben owners to monitor and immediately notify their lending agent as soon as an affiliate relationship was established. |
| 14 | FINRA PR 6530 Page 108 3 a and b | **Reporting Loan Amounts:**<br>Covered Persons must report loan amounts as provided below:<br>(A) For a Covered Securities Loan of a security reportable to the CAT, report the number of shares loaned; or<br>(B) For a Covered Securities Loan of a security reportable to TRACE or the MSRB's RTRS, report the total par value of the loan. | a) So CAT is for equity and TRACE and the MSRB's RTRS systems would be debt related<br>b) Any issues here with this ask? |
| 15 | FINRA PR 6530 Page 109 3b 1<br><br>Also see point 5 | **Covered Securities Loan Modifications: When and How Loan Modifications Are Reported:**<br>For Loan Modifications, Covered Persons must report the information specified in paragraph (b)(2) to SLATE, as provided in this paragraph (b)(1):<br>(A) A Loan Modification effected on a business day at or after 12:00:00 a.m. Eastern Time through 7:45:00 p.m. Eastern Time must be reported the same day before 8:00:00 p.m. Eastern Time;<br>(B) A Loan Modification effected on a business day after 7:45:00 p.m. Eastern Time must be reported no later than the next business day (T+1) before 8:00:00 p.m. Eastern Time; or<br>(C) A Loan Modification effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. Eastern Time. | a) So they use this word "effected" which would seem to mean the Event Date (time & date) of the trade being booked into systems, so if this is correct and we say that the effected time is the system booking time would this then be doable to know what's been booked prior to the timing deadlines to then know when to report on T (before 7:45pm) or T+1 (post 7:45pm on T).<br>b) On a New Loan Event the description from the draft participant specifications for Event Date state: *Date and time to which these terms of the loan were effected. Must not be prior to system start date.* |

| # | Reference | Content | Comments |
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| 16 | FINRA PR 6530 Page 109 3b 2 | **Loan Modifications – Information To Be Reported:**<br>For Loan Modifications, each SLATE report shall contain the following information:<br>(A) **The unique identifier assigned by FINRA** to the Initial Covered Securities Loan or, if a unique identifier has not yet been assigned by FINRA, the **unique internal identifier** assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;<br>(B) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;<br>(C) The MPID (*market participant identification*) of the Covered Person;<br>(D) The date of the Loan Modification;<br>(E) The time of the Loan Modification;<br>(F) The expected settlement date for modifications to the loan amount (if the expected settlement date is a date other than the date of the Loan Modification), or the effective date for all other Loan Modifications (if effective date is a date other than the date of the Loan Modification);<br><br>*1 - Expected Settlement Date = Sounds like the contractual vs. Actual debate... so here this sounds like if the settlement is on a future expected settlement date, but the event date was today, then report the trade today, for the future expected settlement date. This is contractual reporting and the same requirement as SFTR.*<br><br>*2 - Effective Date for all other loan modifications = Sounds like the contractual vs. Actual debate… so here this sounds like if the modification say rate change is on a future effective date, but the event date was today, then report the trade today, for the future expected settlement date. This is contractual reporting and NOT the same requirement as SFTR.*<br>*    - Under SFTR you only should send the regulatory report ONLY ON the effective date of the rate change and not before so this is not contractual regulatory reporting this is actual, hence if the rate was to change next Wednesday then you wait until next Wednesday to report the rate change.*<br><br>(G) Whether the Covered Person is the lender, borrower or intermediary;<br>(H) The modified Data Elements for a Loan Modification to a Covered Securities Loan previously reported to SLATE .....*this is covered when using the Modify Loan Event reporting fields from the specification and this activity sounds like historical / back dated / as of reporting adjustment as well as future effective modifications such as a Fee or Rebate future rate change*....or all Data Elements for a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE...*this is covered when using the Pre-Existing Loan Modification Event reporting fields from the specification and covers for example a modification to a loan after SLATE's launch date where the original loan was effected prior to SLATE's launch.* ...; and<br>(I) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification. **- The Slate Participant Specification is 62 pages and was published 21st May 2022** | a) This suggests FINRA will generate the **UTI** but if they don't then it seems the onus is on the covered person responsible for reporting the covered securities loan to the SLATE system.<br>b) The fields in play here are the Client Loan ID on a New and Pre-Existing Loan and the FINRA Loan ID on a Modification.<br>c) So this sounds like on all NEW and Pre-Existing Loan Modifications the Client Loan ID is to be populated as FINRA won't have seen the trade before, then it seems like if you are taking the FINRA Loan ID once FINRA have seen the trade they will send back a FINRA Loan ID that can only be used as a Modification lifecycle event hence seems you would modify your trade by updating it with the FINRA allocated Loan ID.<br>d) The FINRA Loan ID seems to be available vs. the following lifecycle events being Modifications, Corrections, Cancels and Deletions.<br>e) Only bit of confusion here is to find out if once you take the FINRA Loan ID does this supersede the Client Loan ID, I am thinking no, as it seems by design there are 2 separate fields so one does not replace another seems like they are both in play its just once the loans have a FINRA Loan ID then they are well and truly logged on the FINRA SLATE system using their identity as a unique identifier. |
| 17 | FINRA PR supplementary material page 112 & 113 - also see above point 5 and 16. | **Reporting of intraday data:**<br>1. This methodology is inconsistent with the final SEC framework for "end of day reporting" as opposed to the originally proposed 15-minute reporting.<br>2. Reporting of intraday activity will result in a significant increase in volume of reportable activity with what has to be challenged of what value would this add?<br><br>**Intraday Loan Modifications:**<br>1. If a Covered Securities Loan previously reported to SLATE or a Covered Securities Loan not previously reported to SLATE is modified multiple times throughout the day, a Covered Person must report each Loan Modification as set forth in Rule 6530(b).<br><br>**Modifications to an Initial Covered Securities Loan after it has been effected — but before it has been reported to FINRA:**<br>1. FINRA has proposed that any modifications to an Initial Covered Securities Loan after it has been effected — but before it has been reported to FINRA — would also have to be reported, as would multiple modifications on the same day to a previously reported Covered Securities Loan......*The first part of this, I think it means I may book a loan and not report it in the morning but maybe modify it at lunch time then report all my trades and subsequent lifecycle events at 6pm, so when I report at 6pm I have to send the new loan and the modification hence all new loan events and subsequent lifecycle events have to be reported, in this example, at the end of the day.*<br>2. FINRA has proposed that a change to any **party** to a Covered Securities Loan would constitute both the termination of the prior Covered Securities Loan (which must be reported as a Loan Modification and tagged with a termination identifier) as well as the initiation of a new loan (which must be reported as an Initial Covered Securities Loan) ...*this does not sound right as if you terminate a loan as a modification lifecycle event that was booked incorrectly versus say cpty A then this will accrue in your system for billing purposes. Under SFTR this would be a CANCELLATION and a RE-BOOKING of the trade as this mechanism is used to generate a new UTI (unique trade identifier) versus the correct cpty B. A trade booking against the incorrect cpty should not stay in systems how FINRA explain their new "General Event Reporting AKA lifecycle events" this should probably be a Deletion of Cpty A to wipe this out of the system and a New Loan Event versus Cpty B. See below lifecycle events that maybe should be removed altogether or maybe just the above guidance re-worded as thinking about it the below fields should be used for an Open Term Loan that is now going to be terminated, as if you had a fixed term trade you would have populated the Term Date field as this is only for Fixed Term Trades where the Terminated Loan Indicator would be used to represent an Open term trade being terminated. I suppose for Fixed Term trades if you used Term Date but the trade settled prior to the original Term Date you may use the Term Loan Indicator to show that it actually terminated prior to the original Term Date of the Fixed Tenor that was initially agreed. This is similar to how the Maturity Date and Termination Date works under SFTR.*<br><br>| LCE/Table: | Seq: | Logical Field Name: | Data Type: | Description: | Include Key: |<br>|---|---|---|---|---|---|<br>| New Loan Event | 27 | Terminated Loan Indicator | String | Flag to confirm the loan has been terminated. Values: Y – Yes, loan has been terminated | O |<br>| Pre-Existing Loan Modification | 28 | Terminated Loan Indicator | String | Flag to confirm the loan has been terminated. Values: Y – Yes, loan has been terminated | O |<br>| Modification | 20 | Terminated Loan Indicator | String | Flag to confirm the loan has been terminated. Values: Y – Yes, loan has been terminated. Once the Terminated Loan Indicator has been set to Y (Yes), there may be no more modifications on the loan. If modifications are necessary, use a Cancel Event to cancel the termination report and then report the modification events. When Terminated Loan Indicator is set to Y, the Modification Effective Date may not be in the future. | O |<br>| Correction | 31 | Terminated Loan Indicator | String | Flag to confirm the loan has been terminated. Values: Y – Yes, loan has been terminated | O | | a) This suggests intraday reporting of lifecycle events is required hence FINRA do not just want the "end state" picture of the trade at the end of the day.<br>b) This covers cancellation and booking of a trade versus cpty A to cpty B...see comments in **RED under #2 as this can be very complex.**<br>c) It appears you can send intraday lifecycle events in near real time or all at the end of the day prior to the cut offs shown above in point 15 FINRA PR 6530 Page 109 3b 1, it seems like you don't need to send all reporting in chronological order as the FINRA requirement is for the files that are sent to be in file sequence order hence if you send something at 6pm and something at 3pm and 3pm file was sent after 6pm FINRA would figure this out from the file sequence and re-order them on their side within the SLATE system. |
| 18 | FINRA PR Page 100 | **Public reporting:**<br>1. De Minimis Loan Transaction Activity. - To address concerns regarding potential information leakage, FINRA proposes to omit from the daily loan statistics volume information for Reportable Securities for which there are three or fewer types of Initial Covered Securities Loans and Loan Modifications reported to SLATE in total on a given day. However, the proposed de minimis threshold may be viewed by some as reducing the transparency value of the disseminated information. FINRA believes the threshold of three or fewer Initial Covered Securities Loans and Loan Modifications appropriately balances these considerations. | a) Should this be a mandatory and not optional exclusion for confidentiality reasons.<br>B) Is the minimal amount set too low. |

| # | Reference | Content | Comment |
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| 19 | FINRA PR 6540 Page 30, 31, 32, 33, 36, 37, 40, 80, 83, 86, 87, 90, 113 to 117 | **Dissemination of Loan Information: Part 1 of 2:**<br><br>**Dissemination of Loan Information:** As required by SEA Rule 10c-1a(g), proposed Rule 6540 (Dissemination of Loan Information) would provide for the public dissemination of securities loan data reported to SLATE and information pertaining to the aggregate loan transaction activity and distribution of loan rates for each Reportable Security.  The publicly available data would include: (1) next day (T+1) loan-level data dissemination for Initial Covered Securities Loans and Loan Modifications (except for the loan amount); (2) T+20 dissemination of the loan amount for Initial Covered Securities Loans and Loan Modifications; and (3) daily loan statistics (i.e., aggregate loan activity and distribution of loan rates). | a) Any issues with this proposal as per below comment confidentiality could be an issue? |
| 20 | FINRA PR 6540 Page 30, 31, 32, 33, 36, 37, 40, 80, 83, 86, 87, 90, 113 to 117 | **Dissemination of Loan Information: Part 2 of 2:**<br>(a)  Next Day Dissemination:<br>For each Initial Covered Securities Loan and Loan Modification reported to SLATE on a given business day, no later than the morning of the next business day, FINRA will make publicly available:<br>(1) the unique identifier assigned by FINRA to the Covered Securities Loan;<br>(2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and<br>(3)(A)  for each Initial Covered Securities Loan, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or<br>(B)  for each Loan Modification to a Covered Securities Loan, the modified Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or<br>(C)  for each Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule.<br><br>(b)  Delayed Dissemination<br>For each Initial Covered Securities Loan and Loan Modification reported to SLATE, 20 business days after the date on which the Initial Covered Securities Loan was effected or the loan amount was modified, FINRA will make publicly available:<br>(1) the unique identifier assigned by FINRA to the Covered Securities Loan;<br>(2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and<br>(3)  the amount of Reportable Securities loaned reported to SLATE. | a) It is unclear what the fee-based service and data would look like.  A more customized or enhanced data set raises confidentiality concerns. |
| 21 | FINRA PR Page 36 and footnote 80 also on page 36 | **Fees for Data:**<br>1. In its adopting release, the SEC authorized FINRA to charge a fee in connection with data that it publishes pursuant to Rule 10c-1a.<br>2. FINRA is proposing to make the data available on its website free of charge for personal, non-commercial purposes only.<br>3. For other uses, FINRA would publish or distribute SLATE data for certain fees, which are pending approval by the Commission.<br>4. The SEC's final rule removed the requirement in paragraph (h) of the proposed rule that fees only be paid from persons who provide Rule 10c-1a information directly to an RNSA.<br>5. The RNSA fees should be borne by market participants more broadly and not just the Covered Persons submitting data (primarily lending agents and direct lenders).<br>6. Any fees borne by the beneficial owner will not serve the objectives of the commission and since their agents only receive a small fraction of the income generated, any fees the agents might bear would more than likely have to get passed on either directly or through negotiations in fee splits in some cases.<br><br>*Page 36:*<br>*- "FINRA would make the data pursuant to proposed Rule 6540(a) through (c) available on FINRA's website free of charge for personal, non-commercial purposes only. For other uses, FINRA would publish or distribute SLATE data for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act."*<br><br>*Footnote 80 page 36:*<br>*- FINRA intends separately to file a proposed rule change to establish SLATE reporting fees and fees for fee-liable data products.*<br>*- Interested parties may subscribe to these fee-liable data products.*<br>*- Professionals would not be permitted to access the SLATE data made available free of change on FINRA's website, which is provided for personal, non-commercial purposes only.* | a) Costs – FINRA has yet to provide any clarity on what the fees will be or how they will be allocated. |
| 22 | FINRA PR 6530 d 4 Page 28 | **Duty to Report and Notification of Failure to Report:**<br>1. The proposed rules include a general requirement that where a Covered Person makes a good faith determination that it has a reporting obligation under SEC Rule 10c-1a and the SLATE rules, the Covered Person or its Reporting Agent, as applicable, must report the Covered Securities Loan.<br>2. Additionally, if the Reportable Security is not entered into the SLATE system, the Covered Person, or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations the information necessary to enter the Reportable Security for reporting through SLATE. | a) Does this come under operational resiliency?<br>b) What agreements are in place if a vendor does not report what liability here is placed on the covered person? |
| 23 | FINRA PR 6520 a 2 Page 29 | **Security Measures:**<br>1. In connection with the proposal and adoption of SEC Rule 10c-1a, several industry commenters raised concerns over the security of the sensitive data required to be reported under the new SEC and FINRA rules, including the potential significant consequences of a cybersecurity incident (such as a data breach) affecting FINRA's or the SEC's databases holding such information.<br>2. While not directly addressing these concerns, as a condition of participation in SLATE, a SLATE Participant would be required to maintain the physical security of the equipment located on its premises to prevent unauthorized entry of information into SLATE. | a) From a cybersecurity perspective what processes, policies, procedures do members have in place to overcome this, or is this a new ask members need to work towards?<br>b) Anything here new around maintaining the physical security of the equipment located on members premises? |
| 24 | FINRA PR Page 11, 38, 41, 42, 61, 88, 91, 92 | **Rules Specific to FINRA Members:**<br>1. While Covered Persons that are required to report Covered Securities Loan information to SLATE include both FINRA members and non-FINRA members, FINRA is proposing certain rules specific to FINRA members, including:<br>  a) an obligation of the member under FINRA Rule 3110 to take reasonable steps to ensure that the Reporting Agent is complying with SEC Rule 10c-1a and the applicable FINRA SLATE rules on the member's behalf and<br>  b) that FINRA may consider a member's pattern or practice of late reporting without exceptional circumstances to be conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010<br><br>**Non FINRA Members:**<br>See SEA Rule 10c-1a(f) and (i).  FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are **non**-FINRA members.  As FINRA does today, FINRA would refer to the SEC potential violations of the federal securities laws and rules by non-members, including failures to comply with SEA Rule 10c-1a and FINRA rules adopted pursuant to SEA Rule 10c-1a (e.g., potential SLATE reporting violations or failures to pay when due any SLATE reporting fees). | a) This covers both FINRA and Non FINRA Members and also not the issues around being compliant for reporting to the SLATE system but also violations or failures to pay when due any SLATE reporting fees. |