

The background of the entire page is a photograph of two men in a professional setting. The man on the left is wearing a dark blue suit, a light blue shirt, and a patterned tie. He has dark hair and is wearing glasses. The man on the right is wearing a white button-down shirt. They are both looking down at a document on a table. On the table, there is a white coffee cup on a saucer, some papers, and a small rainbow flag. The lighting is soft and focused on the men.

## **SFTR- Navigating the Road Ahead**

**ESMA Regulatory Practice**  
How ESMA is bringing transparency in  
Securities Financing Markets

To increase the transparency across the Securities Financing Transactions (SFTs) markets, the Financial Stability Board (FSB), in consultation with European

Securities Markets Authority (ESMA), formulated a set of regulations that introduced specific rules for market participants and Trade Repositories (TRs).

### SFTR timeline

Sl No.	Deadlines	Description
1	13 April 2020	Financial counterparties (FCs): investment firms and credit institutions
2	11 July 2020	FCs: central securities depositories and central counterparties
3	10 October 2020	FCs Insurance/reinsurance undertakings, UCITS, AIFs/AIFMs and institutions for occupational retirements provisions
4	11 January 2021	All non-financial counterparties

Currently the market participants in the SFT market are under the purview of SFTR and all the mentioned phases of SFTR are already in production.

Regulators are making moves to standardize datasets in different reporting regimes to harmonize transaction reporting to make data sharing and reporting easier for both market participants and regulators. This move will also help the regulators to analyze the risks in the financial markets. The ISO 20022 XML format is expected to be adopted as the data format for the transaction reporting in various reporting regimes to harmonize the global data standards. Earlier various reporting formats, including CSV, were used to report the transactions. As the migration to ISO 200200 XML format is taking place, the firms using the reporting formats need to upgrade their reporting infrastructure to comply with data reporting standardization.

Reporting templates require comprehensive transaction details. Some of the data points included in the current reporting framework are

either held in downstream systems or outside of systems entirely. This may require firms to upgrade existing systems and infrastructure to fulfill the reporting requirement.

Under the current reporting architecture, most of the data points are being held in the downstream systems or are not in the system at all. As the reporting format requires comprehensive transaction details, firms must restructure their systems and upgrade their reporting infrastructure to comply with the reporting obligations. The reporting process gets even more complex because the regulation mandates the counterparties' identification by Legal Entity Identifier (LEI). This is because most market participants do not have LEI in their recording systems, and they are still using internal codes to identify counterparties.



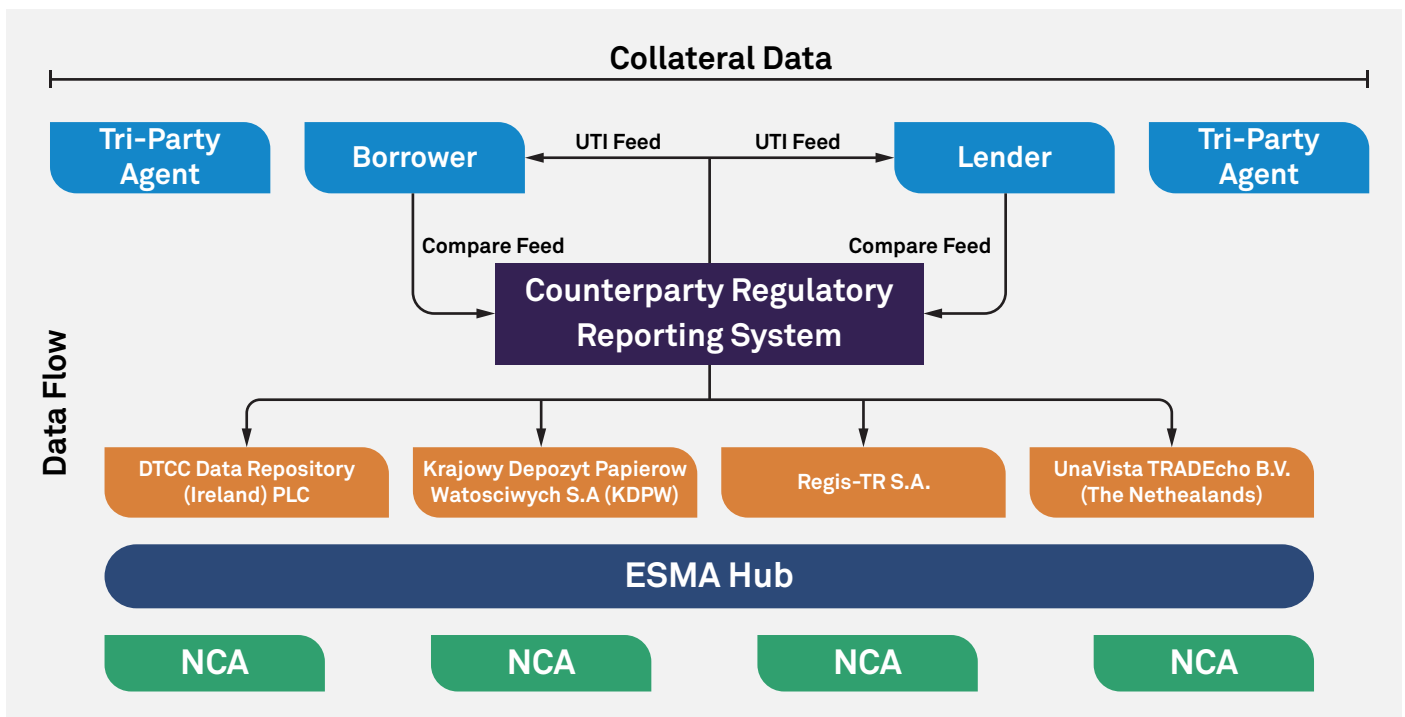


Figure 1: Data Flow

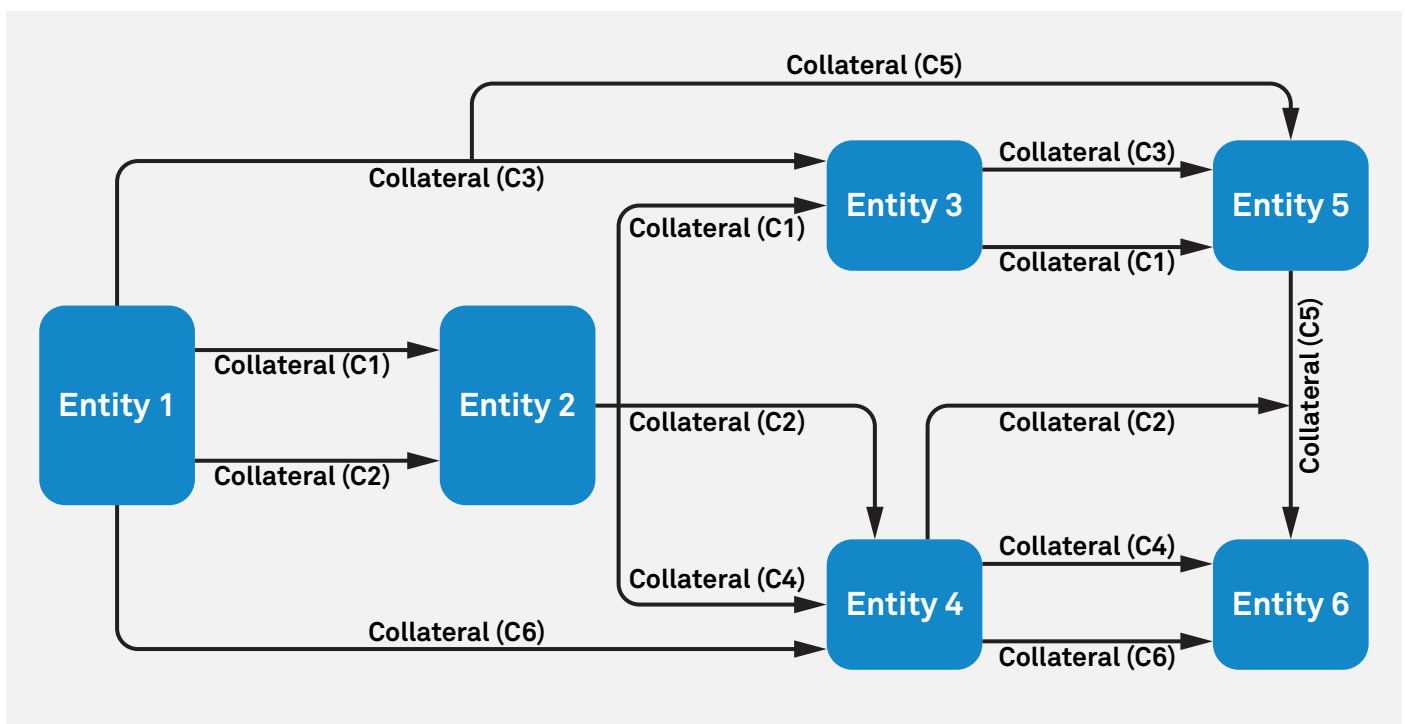


Figure 2: Security Financial Transaction Regulation requires more transparency regarding the reuse of collateral

Security Financial Transaction Regulation (SFTR) brings the grey area of “Collateral Reuse” under its purview, which was not addressed prior to this regulation. This regulation mandates the respective counterparties express explicit consent for collateral reuse and further directs the

counterparties to report consent to the SFTR registered trade repositories (TRs). As we can see from the above figure, collateral reuse can be a very complex process, and the dual reporting obligation to the TRs with respect to collateral reuse adds to the intricacy of the transactions.

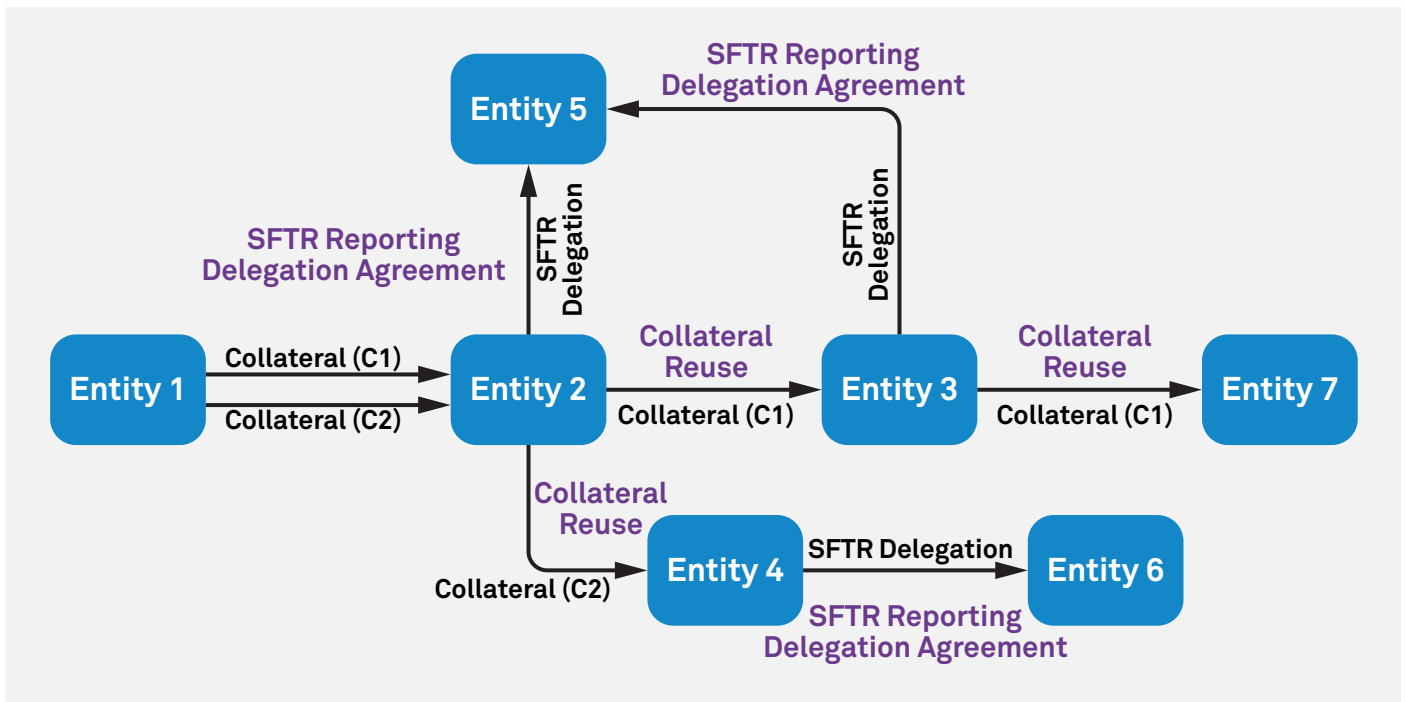


Figure 3: SFTR Reporting Delegation

Under SFTR, the firms have the option to delegate their reporting obligation to third parties. Reporting obligation arising from SFTR can be delegated to third-party entities that report to Trade Repositories on behalf of the parties involved in a Securities Financing Transaction. This is known as delegated reporting.

The onus of mandatory delegated reporting lies with the Financial Counterparty (FC) in case the other party to the transaction is a small Non-Financial Counterparty (NFC). The data required for reporting will be shared with the FC by the NFCs. It is the FC that must report the transactions to the trade

repositories. According to the SFTR timeline, January 2021 Phase 4 marks the commencement of mandatory delegate reporting of SFTs.

SFTR also has the provision for voluntary delegated reporting where one of the parties in a transaction upon agreement with another party to the trade can delegate the reporting obligation to one of the parties or a third-party entity.

As a system integrator, Wipro can leverage its partnership with leading market solution providers to support the market participants to carry out both the delegated mandatory and voluntary reporting under SFTR.

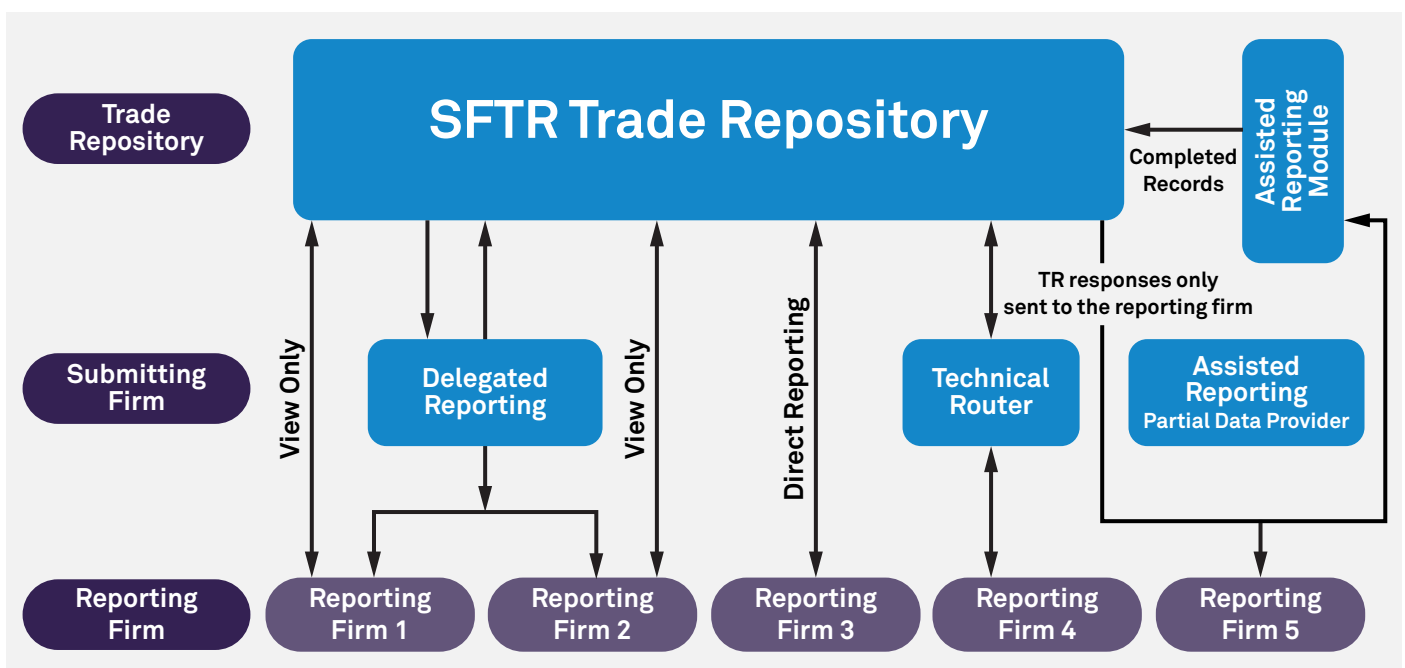
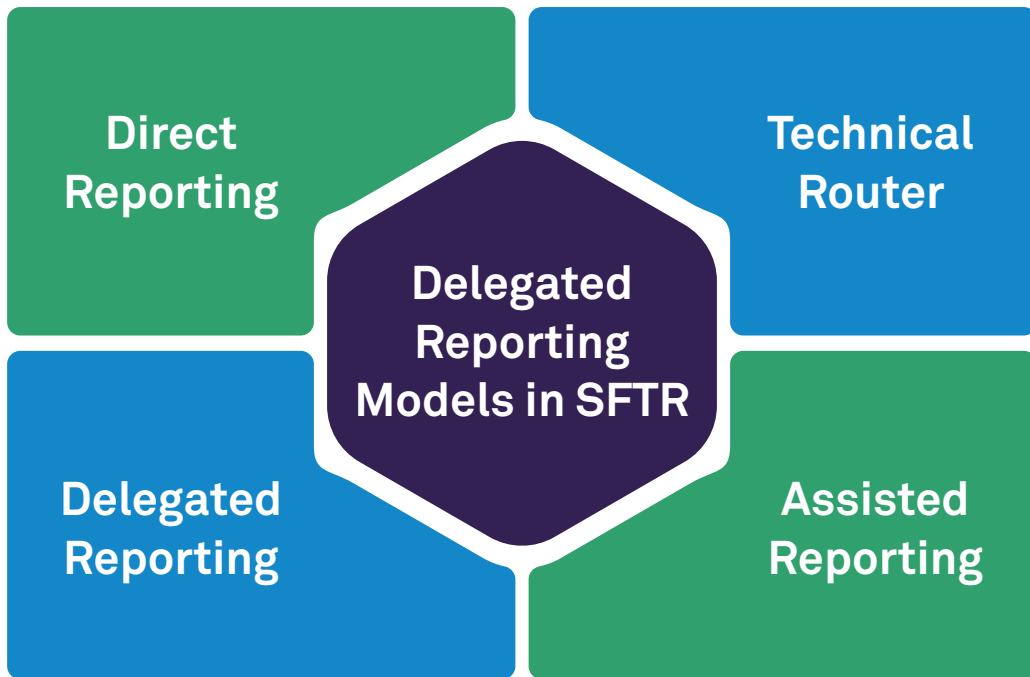


Figure 4: Delegated Reporting Models in SFTR



With a track record of helping firms comply with SFTR, Wipro offers to be your trusted partner in your SFTR compliance journey. As a system integrator with strategic partnerships with leading market providers, Wipro can help firms adopt a particular solution to help them comply with SFTR and provide an end-to-end solution that includes quality, completeness, and accuracy.

## Wipro Services

**ICE Practice:** Securities and Capital Market's - Infrastructure, Collateral and Exchange practice comprises of global team of consultants experienced in implementing regulatory reporting and collateral management systems. With a track record of helping firms in different phases of SFTR, Wipro offers to be your subject matter expert in your SFTR compliance journey and beyond.

As a system integrator, Wipro can help to constructively review the current reporting infrastructure, ISO 20022 capability and help identify gaps that can be addressed by upgrading the infrastructure to comply with the ever-changing regulatory reporting requirements. Industry-proven platforms partnership and robust system integration capabilities brings the ecosystem in a box for clients.





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strong commitment to sustainability and good corporate citizenship, we have over 180,000 dedicated employees serving clients across six continents. Together, we discover ideas and connect the dots to build a better and a bold new future.

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