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## **BVI position on the FSB Consultative Document on Standards and Processes for Global Securities Financing Data Collection and Aggregation**

BVI<sup>1</sup> gladly takes the opportunity to present its views on the FSB Consultative Document on Standards and Processes for Global Securities Financing Data Collection and Aggregation.

We support the initiative started by the FSB to harmonize standards and processes for global data collection and aggregation on securities financing transactions that are relevant for financial stability monitoring.

The proposed content of the data fields for securities financing transactions could be implemented and be reported by the German management companies to a trade repository (TR). However, the implementation of such data standards and processes in the financial industry should be carefully calibrated and not be rushed. In this context, the introduction of the EMIR reporting obligation should not be used as a model for the regulators as the implementation of this reporting regime was very complex and burdensome due to time constraints and lack of legal and operational certainty.

- **General Comments**

**Securities financing transactions and investment funds:** Securities financing transactions concluded by the German management companies on behalf of highly regulated investment funds (UCITS/AIFs) cannot be considered as a source of systemic risk due to the already implemented regulation on securities lending and repos.

Highly regulated German investment funds (UCITS/AIF) cannot use securities financing transaction to access leverage on the fund portfolios. For example, UCITS are only allowed to act as lenders of securities with the corresponding counterparty risk being subject to strict collateralization requirements under the ESMA Guidelines on ETFs and other UCITS issues (ESMA/2014/937/EN). The acceptable collateral must be highly liquid, valued on at least a daily basis, of high credit quality and sufficiently diversified. Furthermore, according to German law, securities lending to one counterparty is limited on a gross basis to 10% of the fund's NAV. Transactions with several counterparties belonging to the same corporate group are all counted towards the same limit. According to the ESMA Guidelines applicable to all UCITS, the combined counterparty risk exposure in relation to OTC derivative transactions, securities lending and repos must not exceed 10% in case the counterparty is a credit institution and 5% in other cases<sup>2</sup>. In Germany, UCITS and other regulated investment funds (AIFs) are obliged to report immediately any under-collateralization of securities loan transactions to the National Competent Authority (BaFin).

Hence, the risk of interconnectedness of UCITS with other market participants potentially leading to a contagion in times of crisis is heavily reduced. The new ESMA Guidelines also require UCITS to put in

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<sup>1</sup> BVI represents the interests of the German investment fund and asset management industry. Its 84 members manage assets in excess of EUR 2.4 trillion in UCITS, AIFs and assets outside investment funds. As such, BVI is committed to promoting a level playing field for all investors. BVI members manage, directly or indirectly, the assets of 50 million private clients over 21 million households. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit [www.bvi.de/en](http://www.bvi.de/en).

<sup>2</sup> Cf. para. 41 of the ESMA Guidelines for ETFs and other UCITS issues with reference to Article 52(1) third subparagraph of the UCITS Directive.



place a clear haircut policy taking into account the characteristics of each class of assets especially in terms of credit standing or price volatility.

**Reporting of securities financing transactions by regulated investment funds:** Highly regulated investment funds already have to adhere to the reporting obligations of securities financing transactions as required by the UCITS/AIFM Directive and the National Central Bank. National Regulators should use these information in the collection of data for securities financing transaction before requiring further reporting. We encourage the FSB to take into consideration these already existing reporting obligations when drafting the standards and processes for global data collection and aggregation in order to avoid any overlapping requirements. Furthermore, it could also be useful to harmonize trade reporting with existing EMIR and MiFID transaction reporting obligations.

**Purchase Price of a repo cannot be considered as collateral:** We do not agree with the proposed definition of repos. We are of the view that the proposed definition does not reflect the prevailing market conditions as currently provided in the international/national master securities repurchase transaction agreements. Such agreements do not consider the proceeds from repo transaction as a form of collateral.

- **Specific Comments**

We would like to make the following specific answers:

**Q2-1. Does the proposed definition of repos provide a practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?**

We do not agree with the proposed definition of repos. We are of the view that the proposed definition does not reflect the prevailing market conditions as currently provided in the international/national master securities repurchase transaction agreements. Such agreements do not consider the proceeds from repo transaction as a form of collateral. Furthermore, the current EU legislation does not contain in the definition of repos any element which refers to the term collateral.

In the consultation paper, a repurchase agreement is defined as *“an arrangement involving the provision of securities or other financial assets (“collateral”) in exchange for cash (spot leg) with a commitment to repurchase the same or similar collateral at a fixed price (forward leg) either on a specified future date or on demand (“open” or extendable repos).”*

A *“repurchase”* implies that a *“purchase”* has been taken place in advance. However, neither the object of a purchase nor the purchase price can be considered as collateral. The exchange of collateral between the contractual parties follows after the object of the purchase is delivered and the purchase price is paid. The value of the collateral is the delta between the purchase price and the current market value of the securities sold to the other party.

In this context, we would like to underline our findings concerning a repurchase transaction as laid down in international/national master agreements governing repurchase agreements between market participants:



- **International Agreements: 2011 Global Master Repurchase Agreement (GMRA), issued by the International Capital Markets Association<sup>3</sup>:**

*“1. Applicability*

*(a) From time to time the parties hereto may enter into transactions in which one party, acting through a Designated Office (“Seller”) agrees to sell to the other, acting through a Designated Office (“Buyer”) securities or other financial instruments (“Securities”) (subject to paragraph 1 (c), other than equities and Net Paying Securities) against the payment of the purchase price by Buyer and Seller, with a simultaneous agreement by Buyer to sell to Seller Securities equivalent to such Securities at a date certain or on demand against the payment of the repurchase price by Seller to Buyer.*

*[...]*

*4. Margin Maintenance*

*(a) If at any time either party has a Net Exposure in respect of the other party it may by notice to the other party require the other party to make a Margin Transfer to it of an aggregate amount or value at least equal to that Net Exposure.*

*(b) [...]*

*(c) For the purposes of this Agreement a party has a Net Exposure in respect of the other party if the aggregate of all the first party’s Transaction Exposures plus any amount payable to the first party exceeds the aggregate of all the other party’s Transaction Exposures plus any amount payable to the other party under paragraph 5 but unpaid less the amount of any Net Margin provided to the other party; and the amount of the Net Exposure is the amount of the excess. For this purpose any amounts not denominated in the Base Currency shall be converted into the Base Currency at the Spot Rate prevailing at the relevant time.”*

- **National Master Agreements: Master Agreement for Securities Repurchase Transactions (Repos) (“Rahmenvertrag für Wertpapierpensionsgeschäfte”), issued by the Association of German Banks<sup>4</sup>:**

*“1. Object of the Agreement*

*(1) The parties intend to enter into securities repurchase agreements on the basis of this Master Agreement. The pledgor under a repurchase agreement will deliver securities to the pledgee under a repurchase agreement against payment of a purchase price. The pledgee under a repurchase agreement simultaneously undertakes to deliver back to the pledgor under a repurchase agreement securities of the same type and in the same quantity at a previously or subsequently agreed time against payment of the repurchase price. [...]*

*6. Collateral*

*(1) If, on a Business Day, the total amount of performances received and owed by one party (“Collateral Recipient”) is less than the total amount of performances received and owed by the other party*

<sup>3</sup> [http://www.icmagroup.org/assets/documents/Legal/GMRA-2011/GMRA-2011/GMRA%202011\\_2011.04.20\\_formular.pdf](http://www.icmagroup.org/assets/documents/Legal/GMRA-2011/GMRA-2011/GMRA%202011_2011.04.20_formular.pdf).

<sup>4</sup> <http://bankenverband.de/downloads/fachinformationen/finanzmaerkte/rahmenvertraege-fuer-finanzgeschaefte/deutscher-rahmenvertrag-fuer-wertpapierpensionsgeschaefte>.



*("Short Cover"), the other party ("Collateral Provider") will transfer to the former on request Collateral with an Attributable Value at least equivalent to the amount of Short Cover.*

*(2) The total amount of performances received and owed by each party will be calculated on the following basis:*

*(a) The total amount of the market values of all securities delivered by the other party under Transactions which have not yet been fully settled, under consideration of any premiums and discounts agreed in the Transaction, as the case may be, plus the total amount of the Attributable Values of the securities transferred to it by the other party as Collateral in accordance with para. 1,*

*(2) The total amount of performances received and owed by each party will be calculated on the following basis:*

*(a) The total amount of the market values of all securities delivered by the other party under Transactions which have not yet been fully settled, under consideration of any premiums and discounts agreed in the Transaction, as the case may be, plus the total amount of the Attributable Values of the securities transferred to it by the other party as Collateral in accordance with para. 1,*

*(b) The total amount of all the purchase prices received by the other party under Transactions which have not yet been fully settled, plus the total amount of the Attributable Values of the cash amounts transferred to it by the other party as Collateral in accordance with para. 1 and any agreed interest accrued thereon,*

*(c) The total amount of all manufactured dividends owed to the other party in accordance with number 7 para. 1 under Transactions which have not yet been fully settled, and*

*(d) The total amount of all proportionate repo remuneration payments owed to the other party under Transactions which have not yet been fully settled; the proportionate repo remuneration payment is calculated on basis of the repo rate, applied on the purchase price and the period from and including the purchase date up to but excluding the relevant Business Day, on which the total amount of performances received and owed is calculated: number 4 para. 4 sentence 3 applies accordingly.*

*(e) The time at which the market values are determined shall be the point of time at which banks located in Frankfurt am Main close on the relevant Business Day."*

The above mentioned examples of master agreements clearly demonstrate that neither the purchase price nor the objects of a purchase under a repurchase agreement are part of collateral contributions to be made by the contractual parties to this agreement.

As a consequence, we fear that the implementation of the proposed definition could further restrict within the EU the regulatory framework related to the re-use of cash received by repo transactions.

In this context, we would like to take the opportunity to point out that UCITS have substantial difficulties to provide cash collateral in cases of centrally and bilaterally cleared (OTC) derivative transactions under EMIR. The ESMA Guidelines on ETFs and other UCITS issues expressly restrict the re-use of cash obtained from UCITS repo transactions for such purpose. As currently suggested by the FSB, in 2012 ESMA already classified repo transactions, including the purchase price, as collateral.



We fear that paragraph 43 letter (j) of the ESMA Guidelines on ETFs and other UCITS issues hampers UCITS` ability to access CCP clearing. The mentioned guidelines prohibit posting of cash received in a repo transaction as collateral to a CCP, respectively the clearing member. Since UCITS` borrowing is restricted to 10% of the net asset value (NAV), it is obvious that UCITS will be hampered to use OTC derivatives subject to a clearing obligation.

We encourage the FSB to revise the proposed definition of repos and to align them with the prevailing market standards. We respectfully submit the following definition of repos:

*“A repurchase agreement (repo) is an arrangement involving the provision of securities or other financial assets (“~~collateral~~ object of purchase”) in exchange for cash (“purchase price”) (spot leg) with a commitment to repurchase the object of purchase~~same or similar collateral~~ at a fixed price (forward leg) either on a specified future date or on demand (“open” or extendable repos). A repo is viewed from the perspective of the ~~provider of the collateral – i.e. the cash taker~~ initial seller. The transaction is called a reverse repo when viewed from the perspective of the initial buyer of collateral and cash provider.”*

It has to be taken into consideration the original purpose of the usage of repos by regulated investment funds (UCITS/AIF) i.e. the generation of liquidity and simultaneously the mitigation of the residual counterparty risk through collateral posting. The provided collateral secures the existing obligations and mitigates the counterparty risk where such exists (the “delta” explained above).

Related to the matter of sell/buy back transactions we do not share the FSB view that the structure of these transactions makes it difficult to legally enforce margin calls and exercise the right of collateral substitution. We refer to number 14 of the Master Agreement for Securities Repurchase Transactions (Repos) (“Rahmenvertrag für Wertpapierpensionsgeschäfte”), issued by the Association of German Banks. The mentioned provision clarifies that sell/buy back transactions are also subject to the Master agreement<sup>5</sup>. In this case, legally enforceable margin calls and exercising the right of collateral substitution are only problematic if one contractual party considers the collateral as not eligible for exchange to the other party.

**Q2-2. In a later stage, a list of transactions that are economically equivalent to repos may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.**

We do not agree with the proposal to further extend the list of transactions that are economically equivalent to repos (e.g. synthetic transactions similar to OTC derivative products). The FSB acknowledges that national/regional authorities have already put in place reporting obligations for derivative transactions. In Europe, pursuant to EMIR, since 12 February 2014 investment funds as financial counterparties have to report all (OTC) derivative contracts to trade repositories. The national/regional authorities have access to the relevant data through the TRs.

In this context, a clear distinction related to the classification and the data elements between repos with economical characters of derivatives and derivative products are essential in order to avoid any double reporting under different reporting obligations (e.g. derivative reporting obligation vs reporting obligation of securities financing transactions). A possible double reporting under different reporting obligation regimes will hamper the evaluation of the relevant data by the regulators for the purpose of systemic

<sup>5</sup> <http://bankenverband.de/downloads/fachinformationen/finanzmaerkte/rahmenvertraege-fuer-finanzgeschaefte/deutscher-raahmenvertrag-fuer-wertpapierpensionsgeschaefte>.



risk. Therefore, we encourage the FSB to develop together with the financial industry the relevant data classification schemes and the appropriate data elements for securities financing transactions in order to ensure that all FSB members apply the same data standards when collecting the relevant transactions by the reporting counterparties.

**Q2-3. Are the proposed definitions and level of granularity of the data elements described in Tables 2 to 4 appropriate for a consistent collection of data on repo markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for repo rate (in Table 3), collateral residual maturity, haircut and collateral type (in Table 4) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.**

In general, we agree with the proposed definitions of the data fields. However, we would like to make the following comments:

- **Table 2, field 2.3. in conjunction with table 3, field 3.8.**

In several cases conversions and mappings of the data fields are necessary as not all required information are directly available in the IT systems. The original maturity buckets (table 2, field 2.3.) require a mapping as in normal transactions only the maturity date is stored in the IT system. This is also important for the “residual maturity” (table 3, field 3.8.) as these need to be calculated to map the respective buckets.

- **Table 2, field 2.5.**

The actual amount of cash provided for trades with spot leg should be calculated in USD. However, not all trades are settled in USD. Therefore, it is essential that the reporting parties can also use further currencies, e.g. EUR. The calculation of the exchange rate should be clearly prescribed as it is possible to use different underlyings for the exchange rate (e.g. exchange rate of the trade date or reporting date or aggregation rate).

- **Table 3, field 3.7.**

All counterparties to securities financing transactions should be identified by the legal entity identifier (LEI). By requiring the use of the LEI for any counterparty identified for the purpose of regulatory reporting, legal entities who have not already done so will need to obtain a LEI. Requirements like this will greatly expand the collective benefit from widespread adoption of the LEI for all legal entities.

- **Table 4, field 4.13.**

We do not agree to report the haircuts for different asset classes as presented in field 4.13. As explained above, the objects of a purchase under a repurchase agreement cannot be considered as collateral. Furthermore, it needs to be highlighted that no haircut policy applies on the object of purchase under a repo respectively sell/buy back transaction.



The collateral annexes of the master agreements may include 150 to 200 different kind of assets constituting eligible collateral (e.g. stocks of the DAX, stocks of the DJS 600 (Return), German government bonds denominated in EUR, German government bonds denominated in USD, bonds issued by the African Development Bank, corporate bonds issued by companies listed in the BEL 20 Index, money market instruments issued in the UK denominated in GBP).

Therefore, it is very complex/burdensome to build up reporting IT systems which reflect all the relevant specifications. Furthermore, we do not see that such field will bring additional benefit to the regulators. Reporting the “real” collateral’s value as well as the object of purchase’s value and repurchase price should be sufficient for identifying systemic risk.

**Q2-4. Do you see any practical difficulties in reporting the total market value of collateral that has been re-used? Do you have any suggestion for addressing such difficulties?**

Currently, such information is not compiled in the IT systems and it is very challenging/difficult to implement such a new field. The market practice is the pooling of collateral. Therefore, there is no one-to-one relationship and a continuous earmarking in the IT system is extremely difficult/not possible.

As mentioned above, the objects of a purchase under a repurchase agreement cannot be considered as collateral. Therefore, the FSB should only consider assets as collateral which are partially collateral under the relevant master agreements. Based on this definition only, the total market value of the collateral should be calculated and reported to the TRs.

**Q2-5. Do the classifications provided for “market segment – trading” (in Table 3) and “market segment – clearing” (in Table 3 and 4) appropriately reflect relevant structural features of the repo markets? Are there additional structural features of repo markets that should be considered?**

We agree with the assessment.

**Q2-6. Are there additional repo data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.**

No additional repo data elements should be included as currently envisaged.

**Q2-7. Does the proposed definition of securities lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?**

Yes. However, in the Germany fund industry “over-collateralization” is not only generated by way of haircuts on the provided collateral but also and simultaneously by a surcharge on the value. For example: A UCITS fund A lends stocks in a value of EUR 1,000,000.00 to Bank B. According to the mandatory surcharge, a value of 1,030,000.00 is to be collateralized. The haircuts agreed between UCITS fund A and Bank B apply on the collateral Bank B posts in order to collateralize 1,000,000.00.



We do not exactly know in how many other countries securities loan transactions are subject to double collateralization standards like in Germany. Therefore, the FSB should take the above mentioned standards into consideration when drafting the final guidelines.

**Q2-8. In a later stage, a list of transactions that are economically equivalent to securities lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.**

We do not agree to further extend the list of transactions that are economically equivalent to securities lending transactions. We think that the FSB members should focus their risk analyses to securities lending transactions as defined in chapter 2.2.2.

We would like to reiterate our position as already presented in answering to another FSB consultation<sup>6</sup> that highly European regulated investment funds (UCITS/AIFs) cannot use securities financing transaction to access leverage on the fund portfolios. UCITS are only allowed to act as lenders of securities with the corresponding counterparty risk being subject to strict collateralization requirements under the ESMA Guidelines.

The acceptable collateral must be highly liquid, valued on at least a daily basis, of high credit quality and sufficiently diversified<sup>7</sup>. Moreover, as explained above, non-cash collateral received by UCITS cannot be sold, re-invested or pledged and should be held by the depositary in case of a title transfer. Cash collateral may only be reinvested in high-quality government bonds or short-term MMFs<sup>8</sup>. ESMA applies these restrictions also to the treatment of any proceeds from repos and reverse repos such as the purchase price which basically eliminates any risk of leverage associated with these transactions (cf. our further explanation below)<sup>9</sup>.

Please see also our response to question Q2-2.

**Q2-9. For securities lending, do you think that an additional table with flow data would add insights into the operations of securities financing markets and assist regulators in their financial stability monitoring?**

We think that the FSB should not enrich the data fields' requirements with flow data as the proposed data elements provide sufficient information for the FSB members to assess the financial stability in the securities lending market.

<sup>6</sup> BVI's response to the FSB's consultation on proposed application of numerical haircut floors to non-bank-to-non-bank transactions dated 14 October 2014.

<sup>7</sup> Cf. para. 43 of the ESMA Guidelines on ETFs and other UCITS issues.

<sup>8</sup> Cf. Para. 43 g), i) and j) of the ESMA Guidelines on ETFs and other UCITS issues.

<sup>9</sup> This objective is quite clear from para. 42 of the ESMA Guidelines on ETFs and other UCITS issues.





**Q2-10. Are the proposed definitions and level of granularity of data elements as described in Tables 5 to 6 appropriate for consistent collection of data on securities lending markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for securities lending fees or rebate rates (in Table 5), residual maturity (in Table 5), collateral residual maturity and collateral type (in Table 6) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.**

Please see our answer to question Q2-3. In table 5 field 5.2, the FSB needs to further clarify the definition of “position”. Related to table 6 field 6.11, the FSB should clarify which data elements should be reported regarding cash collateral and stocks being posted as collateral.

**Q2-11. Do you foresee any practical difficulties in reporting the total market value of collateral that has been re-used or cash collateral reinvested? Do you have any suggestion for addressing such difficulties?**

Please see our answer to question Q2-4.

In Germany investment funds have been bound by demanding standards on cash collateral reinvestment for nearly two decades. Similar standards have been introduced by ESMA for all European UCITS in 2012. According to the ESMA Guidelines, cash collateral received from securities lending, repo transactions can be either be placed on deposits, invested in high-quality government bonds, used for reverse repo transactions with regulated credit institutions or invested in short-term MMFs<sup>10</sup>. These restrictions on cash-collateral reinvestment effectively eliminate the risk of maturity and liquidity transformation. Similarly, due to the requirement for non-cash collateral not to be sold, re-invested or pledged and to be held by the UCITS depository in case of title transfer<sup>11</sup>, re-hypothecation of assets received as collateral is generally excluded.

We do not see any additional value why highly regulated investment funds (UCITS/AIF) should report such data field to the TRs. Therefore, we kindly request the FSB to exempt highly regulated investment funds required to the above mentioned standard from reporting the data proposed in field 6.14.

**Q2-12. Do the classifications provided for “market segment – trading” (in Table 5) and “market segment – clearing” (in Table 5 and 6) appropriately reflect relevant structural features of the securities lending markets? Are there additional structural features of securities lending markets that should be considered?**

We agree with the assessment.

**Q2-13. Are there additional securities lending data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.**

No additional securities lending data elements should be included as currently envisaged.

<sup>10</sup> Cf. Para 43 j) of the ESMA Guidelines on ETFs and other UCITS issues dated 17 December 2012 (ESMA/2012/832).

<sup>11</sup> Para. 43 g) and i) of the ESMA Guidelines on ETFs and other UCITS issues.



**Q2-14. Does the proposed definition of margin lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?**

The proposed definition of margin lending does not provide a sufficient clarification to the financial industry as it is unclear if highly regulated investment funds (UCITS/AIF) are in the scope of such an approach. We strongly support the FSB view that the proposed definition of margin lending should include the “prime brokerage” service to the client based on a margin agreement between the financial institution and the client.

We suggest to exempt UCITS, closed-ended and unleveraged AIFs as defined in Directive 2011/61/EU or AIFs where the fund rules or instruments of incorporation do not allow a global exposure higher than that required under Article 51 (3) of Directive 2009/65/EC for the reporting of margin lending transactions.

If the FSB intends to cover in the proposed definition only a regular loan (any loan provided by a financial institution is collateralized) which also includes highly regulated investment funds, we are wondering how these funds could have the potential to create systemic risk.

Loans within the investment fund are limited by 10 % of the NAV (Article 83 of Directive 2009/65/EC) and are mainly used in the cases of a redemption of fund units and for providing cash collateral.

If UCITS and other regulated investment funds intend to invest the 10% with the aim to leverage investments, however, they have to comply with the “cover rule” meaning that they are only allowed to agree on derivatives which can be fulfilled with the assets of the investment fund (see also CESR consultation 10-108 as well as Box 28 of CESR’s Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS, published on July 28, 2010 (CESR/10-788)). Furthermore, they have to comply with the 200% maximum exposure rule (cf. ESMA Guideline 10-788; for Luxembourg: CSSF-Circular III.4.4. Para. 1 11/512; for Germany: § 7 para. 1 DerivateV).

As explained, highly regulated investment funds (UCITS/AIF) do not pose any systemic risk related to margin lending transactions. Therefore, we encourage the FSB to grant sufficient flexibility to its members to implement the suggested data fields. In this regard, the FSB members should be able to exempt certain market participants from the reporting obligation for such data fields, e.g. highly regulated investment funds (UCITS/AIFs).

**Q2-15. In a later stage, a list of transactions that are economically equivalent to margin lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.**

We do not agree to further extend the list of transactions that are economically equivalent to margin lending transactions.



**Q2-16. Are the proposed definitions of data elements as described in Tables 7 to 9 appropriate for consistent collection of data on margin lending at the national/regional level and for aggregation at the global level? In particular, does the collection of the data elements in table 9, which represents a specific requirement for margin lending, provide relevant information for financial stability purposes? Do you foresee any particular difficulties to reporting the required data elements at the national/regional level?**

Please see our response to question Q2-14. Highly regulated investment funds (UCITS/AIFs) are not allowed to provide regular loans. Therefore, we propose to exempt such investment funds from the reporting obligation.

**Q2-17. Are the detailed breakdown of major currencies (in Table 2), sector of the client and bucketing for loan rates (in Table 7), collateral type and bucketing for margin requirements (in Table 8) and funding sources (in Table 9) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.**

Please see our answer to the questions Q2-14 and Q2-16.

**Q2-18. Is the collection of the data on the customers' short position, in addition to the value of outstanding loans, a necessary metric for assessing the overall clients' exposures and for financial stability purposes? Do you foresee any practical difficulties to report this data element at the national/regional level?**

We have no comment.

**Q2-19. Are there additional data elements in relation to margin lending that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.**

No additional margin lending data elements should be included as currently envisaged.

**Q3-1. Is the data architecture described in Section 3 adequate to support the global securities financing data collection and aggregation? Are there other relevant issues to be considered?**

We strongly recommend harmonizing the reporting specifications and the appropriated templates provided by the TRs together with the reporting counterparties in order to avoid the issues experienced from the implementation of the EMIR reporting.

**Q3-2. Do you have any other practical suggestions to reduce any additional reporting burden and improve the consistency of the global data collection?**

The FSB should take into account the reporting obligations for securities financing transactions as implemented by German management companies (e.g. through the UCITS/AIFM Directive and the National Central Bank). The FSB has to ensure that there are no overlapping reporting requirements. The FSB members should use the information already available through existing regulation before requiring further reporting. Furthermore, it would be useful to harmonise any additional trade reporting



with existing EMIR and MiFID transaction reporting obligations in the EU and on the globe in order to avoid unduly overburden data management systems.

**Q3-3. Do the proposed measures for minimising double-counting at the global level constitute a practical solution to the problem?**

We support the granular approach which requires to report the data by individual transactions including the counterparty identifiers to the national/regional aggregators. Based on this information, national/regional authorities should be able to correct double counting. In this context, we strongly support the usage of the LEI.

**Q3-4. Are there any confidentiality issues that you consider relevant for the global securities financing data collection other than those explained above? If so, please provide any practical suggestions to overcome such issues?**

Data should be stored in those countries with the highest standards of data protection (e.g. Germany).

**Q4-1. Do the proposed recommendations as set out above adequately support the authorities in deriving meaningful global aggregate data? Are there any other important considerations that should be included?**

We agree with the proposed recommendations, especially the usage of the LEI to identify the counterparties at the national/regional level. We strongly support the recommendation that national regulators should correct national/regional aggregated data for double-counting.

Please see also our answer to question Q3-1. We encourage the FSB to take into consideration the implementation issues experienced during the introduction of the EMIR reporting in the (financial) industry.

**Q6-1. Are there any relevant practical issue related to the possible extension of the list of data elements to be considered as set out in Section 6?**

We have no comments.

**Q6-2. Are there other data elements in relation to securities financing transactions that you think the FSB should consider for financial stability purposes?**

We have no comments.

**Q6-3. Do you agree that a pilot exercise should be conducted before launching the new reporting framework? If so, are there any practical suggestions that the FSB and national/regional authorities should consider when preparing the pilot exercise?**

Yes, we strongly agree that a pilot exercise should be conducted before the new reporting framework is launched. The implementation of the EMIR reporting demonstrated clearly that a lack of time caused a reporting of data fields with insufficient quality.



**Q6-4. In your view, what level of aggregation and frequency for the publication of the globally aggregated data on securities financing transactions by the FSB would be useful? Please provide separate answers for repo, securities lending and margin lending if necessary.**

We have no comments.